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# USAID CATALYZE MAPPING AND ASSESSMENT OF "FOOTWEAR & APPAREL" SECTOR IN ALBANIA



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## Project Data Sheet

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Author's Name	Shehi Ermira, Expert
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## **Abstract**

This report aims to present the current state of the textile and footwear production sector in Albania, the opportunities and potential that the sector has for sustainability, adding production value, diversifying products and exports, the possibility of upgrading technology, increasing opportunities of financing to maintain the competitiveness not only of the sector in the country's economy but also from a regional point of view. In order to gain a clearer picture of the situation and the needs of companies for investments, a survey was compiled and distributed to all active members of the ProExport association, of which 151 companies responded.





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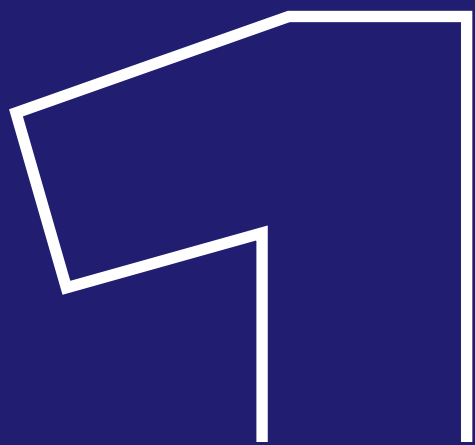
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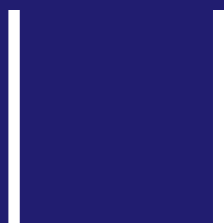
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## Acronyms

<b>USAID</b>	<b>United States Agency for International Development</b>
<b>AIDA</b>	<b>Albanian Investment and Development Agency</b>
<b>MT</b>	<b>Make and Trim</b>
<b>CMT</b>	<b>Cut, make, trim</b>
<b>EC</b>	<b>European Commission</b>
<b>ESG</b>	<b>Environment, social, and governance</b>
<b>EU</b>	<b>European Union</b>
<b>FP</b>	<b>Full package</b>
<b>FDI</b>	<b>Foreign direct investment</b>
<b>GDP</b>	<b>General Domestic Production</b>
<b>INSTAT</b>	<b>National Statistical Institute of Albania</b>
<b>WB</b>	<b>Western Balkans</b>
<b>NSDI</b>	<b>National Strategy for Development and Integration</b>
<b>SME</b>	<b>Small and Medium Enterprises</b>
<b>ProExport Albania</b>	<b>Association of Garment and Footwear Enterprises</b>
<b>CAD/CAM</b>	<b>Computer Aided Design and Computer Aided Manufacturing</b>
<b>SOE</b>	<b>State Owned Enterprises</b>
<b>SDG</b>	<b>Sustainable Development Goal</b>
<b>CFMB</b>	<b>Corporate Fiber and Materials Benchmark</b>
<b>UN</b>	<b>United Nations</b>



# Executive Summary



Since the 1990s, Albania has experienced a transition from a centrally planned economy towards one with an open market. The country's transition has been uneven, traumatic and associated with uncertainty, and the shift towards an export-led economy is being slowed down by a number of structural constraints.

After the 2000s, emigration and urbanization has brought about a structural shift away from agriculture and towards industry and services, leading to a subsequent diversification of services within the Albanian economy—including banking, telecommunications and tourism. The manufacturing sector contributed 5.9% to the GDP in 2018. According to the Competitive Industrial Performance Index 2019, Albania ranks 105th out of 150 countries, declining five places compared to 2018. The country needs to continue implementing structural reforms to achieve higher levels of competitiveness.

The Albanian economy is characterized by a high share of services as a proportion of GDP, rising to 47.9% of GDP in 2018 which represented a 5.35% increase from 2017 in real terms, and an important agricultural sector, which accounted for 18.4% of GDP which represented a 1.42% increase from 2017. The other contributors to GDP in 2018 were industry and construction (at 21.3%). 32.48% was in 2020 the percentage of the gross domestic product of textile, clothing, leather, and footwear sector against the manufacturing sector or 1.96% of the national GDP, less than one year ago. This is because Albania faced two major shocks, one the earthquake of 2019 and the Covid – 19 pandemic which forced lockdowns of the Albanian businesses reducing the manufacturing activity of the businesses in country. Because of that, also the employment rate decreased during 2019 – 2020 till 2021 when a slight recovery of the economy started.

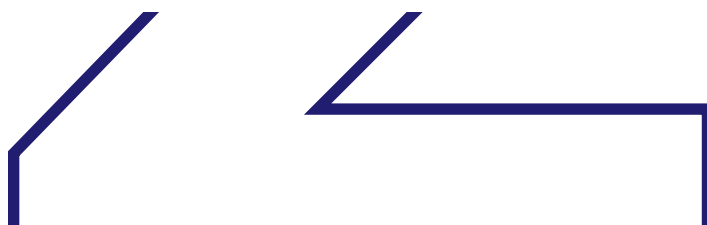
Despite COVID-19 situation in the economy and manufacturing sector, the banking sector remains liquid and well capitalized, supported by borrower relief and the measures taken by the Central Bank. However, the uncertain economic recovery and increasing number of borrowers highlight potential risks to the entire banking sector. Recession in the EU (Albania's main trading partner), a drop in foreign direct investment (FDI), reductions in the quantity of remittances, and disruptions in global value chains are taking a heavy toll on key economic sectors, including manufacturing. The textile, clothing, leather, and footwear manufacturing sector during 2019 – 2020 experienced major changes, interruptions of the production because of the lockdown, cancellation of the orders from the main European clients for the Albanian producers, behavior changes and also reduction in the consumption of goods. Many Albanian business faced new challenges to continue remaining active in the sector.

The mapping concluded as part of this initiative demonstrates the sector has ambitions to turn the page of the consecutive challenges faced since 2020. Indeed, the survey presented in the end of this report, demonstrates that 66% of the companies report difficulties in fulfilling payments on time. While the main challenges relate to paying taxes (51%), salaries (45%) and suppliers (27%), more than half of the companies have confirmed their aspirations to expand into new markets, which will create new jobs and investments. However, a high 72% of the companies need additional financing to fulfill the plans for growth. An adapted financial product needs to fill this gap and this is a clear conclusion identified as part of this mapping.





# **Textile and apparel sector in Albania**



## 2.1 Country overview

Albania at present is implementing important structural reforms that will support equitable growth, raise productivity and competitiveness in the economy, create more jobs, and improve governance and public service delivery. Enhanced regional connectivity and access to regional and global markets, coupled with export and market diversification, can also help promote faster growth.

### Country Overview – general data (The World Bank, 2022)

Albania	2020
Population, million	2.8
GDP, current US\$ billion	17.2
GDP per capita, current US\$	6,089.5
Upper middle-income poverty rate (US\$5.5)	32.4
Life Expectancy at birth, years	78.6

The Government's focus has been on recovery from the pandemic and the devastating earthquake of November 2019. Sustaining the pace of reforms under these circumstances has been challenging. A robust recovery took place in 2021 in Albania thanks to a policy stimulus and the resurgence of travel, construction, and extractive activity. Private investment, consumption, and public spending drove growth, while public debt remained high. Rising inflation and the invasion of Ukraine threaten economic and poverty prospects in 2022. The World Bank and other partners are cooperating to support the Government in overcoming these challenges and implementing the country's longer-term vision.

## 2.2 Recent economic development

Higher consumer confidence, increased demand for Albanian exports, and fiscal stimulus supported the strong growth of GDP in 2021. Growth in trade and construction—the latter connected to reconstruction and new infrastructure projects—contributed the most. The number of jobs did not increase in the period of 2020–21: there were over 16,000 fewer employed people in 2021 than in 2019. The real wage increased by 3.7 percent in 2021, while the minimum wage increased by 13.1 percent. Still, given the strong growth in GDP per capita in 2021, poverty is estimated to have dropped significantly from 31.4 percent of the population in 2020 to 22 percent in 2021.

Inflation rose during the fourth quarter of the year, reaching 3.7 percent in December 2021. Food prices increased by 3.9 percent in 2021, close to double the increase of the price of the overall shopping chart. This will hurt the bottom 40 percent, whose food consumption is over half of total consumption. The Central Bank kept the prime rate unchanged but recently announced an expected tightening through 2022. Higher tax revenues and new debt allowed the Government to increase infrastructure spending. The Government also raised subsidies to the energy state-owned enterprises (SOEs) to ensure an energy supply during the last quarter of 2021.

## 2.3 Economic Outlook

The government of Albania expects economic activity to expand to its pre-pandemic, pre-earthquake historical rate. However, the war in Ukraine could further increase inflation, disrupt supply chains, disturb financial markets, and undermine confidence, all of which could dim Albania's growth prospects. In turn, a sluggish job market, combined with diminished purchasing power, could dampen poverty reduction.

Government spending is expected to decline gradually in line with fiscal consolidation plans. However, higher spending may be needed to guarantee the energy supply through more costly energy imports and support to the fragile energy SOEs. Service exports, including tourism and fast-expanding business-process operations, should return to their pre-pandemic growth trends.

Public debt is expected to decline slightly to 78.1 percent of GDP in 2022 and more significantly over the medium term. However, the fiscal balance could further deteriorate in a worsening international context, forcing the Government to cut capital spending to prevent a hike in the debt-to-GDP ratio.

In the coming years, private consumption is projected to return as the primary driver of GDP growth. Private investment could provide further support to growth if business climate reforms are implemented. A key medium-term reform priority is the need to boost revenue collection and achieve fiscal consolidation. ([The World Bank, 2022](#))

In recent years, Albania's economic performance benefited from reform progress and some large investments in infrastructure and renewable energy. However, despite a robust average Gross Domestic Product (GDP) growth of 3.4 % between 2015 and 2018, the economy remains highly vulnerable to foreign demand shocks and natural hazards.

Referring to official national statistics in 2021, 48.4% of legal enterprises operating in Albania are registered as physical persons with Albanian ownership. The private sector in Albania's economy is dominated by small and medium enterprises (SMEs) having a 90% share of the market and a workforce of 1-4 employees. In the same year, SMEs experienced an increase by only one percentage point compared to 2020.

Textile and apparel sector of the country has a long tradition and is one of the most important industries contributing to Albania's GDP. The sector currently, sees profitable option. It has made good results in exports, investments, and employment; attracting investments.

Albania belongs to the most price competitive countries among the European textile industries. Production is mainly based on cut-make-trim (CMT) basis. Materials are imported, and only the labor work is done and finished garments are re-exported. Coupled with its geographic advantages, Albania's low cost and skilled labor force is being put to optimum utilization for processing business.

Albania is dedicated to foreign markets especially the EU. The textile agreement signed by Albania with the EU in 2009 facilitates exports of textile goods by Albania into EU without any customs duty.

After the Albanian privatization of the garment production companies, various Italian industries have taken advantage followed by many others signing partnership agreements with the domestic Albanian companies.

### Textile, clothing, leather, footwear enterprises according to economic activity - 2021

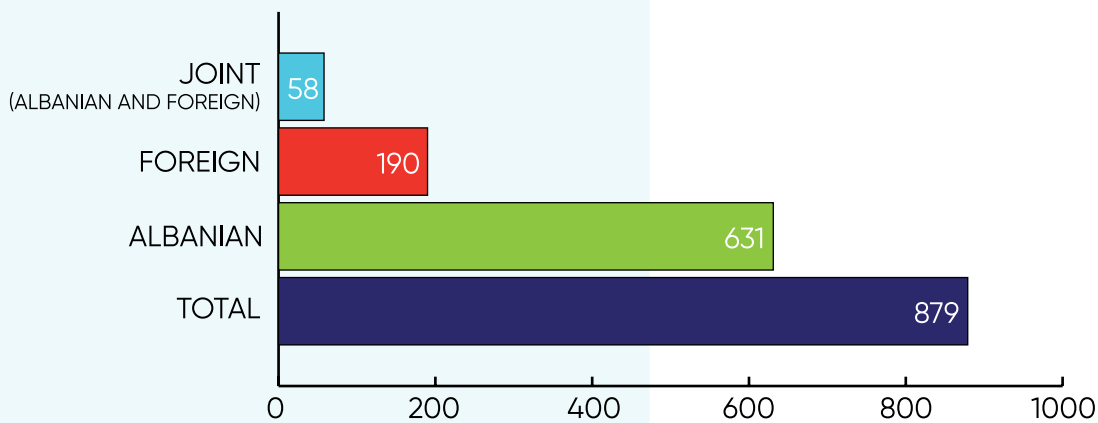


Figure 1 | Active legal enterprises by ownership and economic activity, 2020-2021

### Enterprise size - 2020/2021

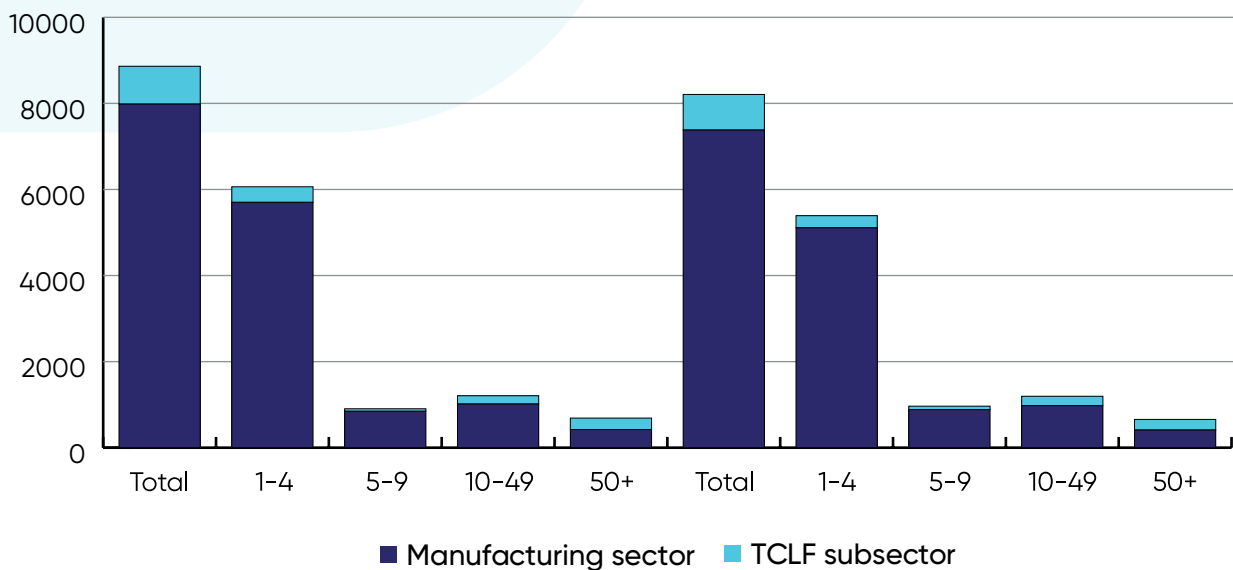


Figure 2 | Active legal enterprises according to size and economic activity, Albania, 2020-2021



Regarding ownership, 72 per cent of enterprises in the sector are owned by Albanians, while only 8 per cent have joint ownership of Albanian and foreign investors. The jointly owned enterprises are the only ones that increased in number, by 13.7 per cent from 2020 to 2021, despite the declining trend in the total number of enterprises within the past two years.

Albanian textile, clothing, leather and footwear sector is dominated by female employees. The female workforce plays a key role because of the labour-intensive nature of production. According to the latest data of INSTAT, around 95 per cent of the overall workforce in the sector are females. This female workforce has limited skills and comes mainly from rural areas that are economically stagnant. Employment in the textile, clothing, leather and footwear sector is a tempting alternative to unemployment despite the minimum wages. In the textile, clothing, leather and footwear sector the minimum wage for the male employees was 388Eur in 2020 compared to 268Eur for the females; this minimum wage increased respectively to 435Eur and 301Eur for males and females in the sector in 2021. The difference between the wages of males and female employees mostly come because of the different jobs they have in the sector. Male workers are employed mainly as technicians and engineers to oversee machine maintenance and production processes in the cutting sector. Still, the wages in the sector remain at the minimum level and are the lowest in the WB region.

In addition, there are 827 active enterprises operating in textile, clothing, leather and footwear industry, reflecting a drop of 6% compared to 2020. 34% of enterprises in the industry have 1-4 employees while 30% of them are categorized as large enterprises having more than 50 employees. Due to the increase of orders in the post-pandemic period, enterprises that operate in the textile, clothing, footwear and the leather industry have expanded operations and the number of workers (Shehi, 2022). This has caused an increase in the percentage of enterprises registered as Albanian-legal persons in 2021. Enterprises having a workforce of 5-9 employees increased with 37% and those employing 10-49 individuals with 14% (INSTAT, 2023). On the other hand, enterprises with up to 4 employees experienced a decrease of 22% in 2021. The impact of the crisis (COVID-19, war in Ukraine, etc.) results harder for smaller companies, which experience the steepest turnover declines. Small enterprises appear to be not flexible to adapt to the market trends in terms of finding new customers, eventually declining in their activity that in certain cases leads to closure. This also has to do with the fact that being relatively small production units they have considerable administrative costs. During 2020, another fact was noticed, the increased investment in technology, machinery and equipment mostly because of the new surviving ways that producers found. The Albanian producers had to diversify their production going into the medical clothes and footwear to adapt their production and exports with the newly created situation because of the pandemic.



**Value chain of the textile,  
clothing, leather and  
footwear sector in Albania**



### 3 Value chain of the textile, clothing, leather and footwear sector in Albania

From the early 1960s until 1989, the textile, clothing, leather, and footwear sector was one of the most important manufacturing sectors in the Albanian economy. Companies operating in this sector were state owned and operated in a centralized economy. Production within this 30-year period was very diverse as the domestic production was done with the principle “on our own forces”. There was a strong textile industry producing from the raw materials such as fibres (cotton, wool, polyester etc.) to woven fabrics and knitted products till the outwear for men, women, children, upholstery (carpets, tapestry). The industry was located in the main cities of Albania, Tirana, Shkoder, Berat, Korce. However, with the establishment of the market economy in the early 1990s the textile, clothing, leather and footwear sector started to operate under the inward processing regime, becoming dependent on imports of intermediate materials. The textile industry was almost completely destroyed and the only sector survived was garment and footwear manufacturing with ordered materials (Facon regime).

Although in the past 5–6 years efforts have been made by enterprises to add more services for foreign clients, there is still a strong presence of low-value added services, such as M, MT production in the Albanian textile, clothing, leather and footwear sector. Many enterprises started with the investment in the cutting sector first with a manual technology of pattern making and cutting going into computerized pattern making and cutting through CAD/CAM technology.

There have been continuous efforts and support from donors to support enterprises in increasing sustainability and productivity through adding more value in their supply chain like adding designing sector, sourcing the raw materials and accessories themselves, completing the finishing processes etc. Previous studies, together with the present survey indicate that among participating enterprises 75 per cent do not design products themselves, 70 per cent do not test raw materials, 83 per cent do not have wet finishing processes, only 36 per cent of enterprises have staff for research and development, and only 32 per cent of respondents are able to source raw materials.

Despite the efforts, most manufacturing enterprises in the country operating in garment and footwear manufacturing sector can purchase raw materials such as fabric or accessories or leather from suppliers as agreed in the specifications from their clients or import already designed and cut patterns ready for the sewing lines. Some of the enterprises have tried working in full or closed cycle of production but only in one line; the other lines remain at CMT or even MT business models. This has seen often as a narrow mentality of the producers not wanting to put their investment or profits at risk, mentality that despite the improvements should for sure change.

The findings from the conducted survey indicate that this sector has many unexploited opportunities that would add more value to the production chain, including processes such as raw materials and accessories sourcing, computerised design and patternmaking, pattern grading, cutting, (CAD/CAM) and even recycling. As the sector is heavily reliant on orders from the Italian market, contract providers have almost full control of pricing, margins, timing, and sales. The CMT manufacturing business model also leaves little room for sourcing locally produced inputs that might further stimulate the local economy. The profit margin also left from the clients remains low making impossible investing in new technology, sustainability approach for the Albanian producers. For the leather and footwear sector it is well known that the leather processed in country is 100% exported, while the Albanian footwear producers import it for their business needs. Finally, all enterprises in the textile, clothing, leather and footwear sector can manage distribution and logistics as they are heavily involved in the import of raw materials and export of finished goods to end customers trying to have a short lead time, which is an advantage for the foreign clients and Albanian producers. Some sporadic attempts have been made for locally employed local designers to Albanian enterprises, and also for producing "Made in Albania" brands. A very low number of garment manufacturing companies stay on top of the pyramid operating in full products, own brand and own label, producing in customized business model for the foreign clients.

The need of the Albanian manufacturing enterprises for products diversification, export diversification is high, in order that they have more space for investments and not just relying on only one client.





**Sustainable Development Goals  
and Environmental, Social and  
Governance Framework**



## 4 Sustainable Development Goals and Environmental, Social and Governance Framework

The SDGs are a global call to action to end poverty, protect the earth's environment and climate, and ensure that people everywhere can enjoy peace and prosperity. Through a Sustainable Development Cooperation Framework with the Government of Albania, the UN fully supports and works towards the complementary agendas of Albania's Goal of accession to the European Union (EU), national priorities, as well as harmonization and aid effectiveness. This includes Albania's commitment to achieving the SDGs.

Albania's baseline report underscores that the national strategic policy framework is most armonizat with the SDG targets in SDG 3 (good health and well-being); SDG 7 (affordable and Clean Energy); SDG 8 (good jobs and economic growth); and SDG 9 (industry, innovation and infrastructure), while the least 15 harmonization is with SDG 14 (life below water). Albania's actions towards SDGs with an environmental dimension focus primarily on SDGs 3, 7, 8, 9, 11, 14 and 15.



Figure 3 | Sustainable Development Goals (SDGs)

#### **4.1 Environmental factors**

Environmental factors are defined as the environmental conditions affecting an enterprise that can have a positive or negative impact on financial performance and its risk management practices. They include direct and indirect factors such as: climate change because of greenhouse gas emissions; resource consumption, such as water, soil nutrients, and minerals; energy consumption; waste and pollution of air, soil, or water; deforestation; loss of biodiversity; animal welfare.

#### **4.2 Social factors**

Social factors may have a positive or negative impact on the financial performance of any enterprise. These factors are increasingly being taken into consideration in enterprises' business strategies and operating frameworks. Social factors are generally related to the rights, well-being and interests of people and communities, and include inequality; working conditions, employee relations, collective bargaining; health and safety; forced labour and human trafficking; child labour; forced resettlement; controversial weapons; investment in human capital and communities, and human rights.

#### **4.3 Governance factors**

Governance factors may have a positive or negative impact on the financial performance of enterprises and how enterprises are managed. This includes how managements respond to stakeholder requirements, how shareholder rights are viewed, and what types of internal control exist to promote management transparency and accountability. Governance factors cover elements such as: management structures and remuneration; board structure and diversity; internal controls, external audits; product quality, safety, and suitability; shareholder rights; corruption, illegal and unethical payments; political lobbying and donations; anti-competitive practices; tax strategy and avoidance; inclusion of environmental and social factors in policies and procedures.

#### **4.4 Sustainable Development goals in the textile industry**

The textile industry plays an important role in achieving the Sustainable Development Goals (SDGs). The changes made to the Corporate Fiber & Materials Benchmark survey this year means Textile Exchange can now more closely monitor and report SDG progress. With 169 targets to be met by the year 2030, and over 232 indicators for measuring progress at country-level, the Global Goals were designed to stimulate positive outcomes for people, planet, prosperity, peace and partnerships. The core themes covered by the Global Goals (which include poverty, hunger, health and wellbeing, education, equality, sanitation, decent work, and production) also reflect current challenges and risks facing the apparel and textile sector (visit the Textile Exchange website, Textiles for SDGs).

The textile industry has the potential to deliver significantly on the SDGs<sup>13</sup>. According to the McKinsey Global Fashion Index, the fashion industry is worth an estimated USD 2.4 trillion. The garment sector alone employs 60–75 million people (Clean Clothes Campaign), and cotton is the most widespread nonfood crop in the world, providing income for more than 250 million people and employing almost 7 percent of all labour in developing countries (WWF). The World Resources Institute (WRI) reports that an estimated 5 trillion litres of water is used for dyeing processes and an estimated 48–144 billion square yards of fabric from factory scraps is sent to landfill each year. On the current trajectory, by 2050, the sector is expected to contribute nearly 26 percent to global carbon emissions (WRI). The Corporate Fiber and Materials Benchmark (CFMB) comprises of three sections: Section I: Strategy and Integration; Section II: Fiber and Materials Portfolio, and Section III: Circularity. The Sustainable Development Goals (SDGs) are embedded in the CFMB framework.

The EU and the United Nations have always been united in their desire to create a more sustainable, safer and better world for all. The EU therefore supports effective multilateralism and a rules-based international order, with the United Nations as the lead body. The Sustainability Goals are a useful tool for disseminating the EU's values and objectives outside Europe and provide a common framework for international partnerships. It is therefore in the EU's interest to play a leading role in the implementation of the 2030 Agenda as part of its external action.

Continued progress in implementing and achieving the SDGs, cooperation with partner countries and civil society, and representation of the Union in the United Nations High-Level Political Forum on Sustainable Development, are crucial to advance the EU's commitment to sustainable development and leadership, as well as to combat the consequences of the corona crisis worldwide.

In 2019, the European Commission published the "European Green Deal", a strategy that pursues very similar goals: to make Europe the first climate-neutral continent by 2050. The Green Deal is an integral part of the European Commission's strategy to implement the United Nation's 2030 Agenda and the sustainable development goals (SDGs). <sup>(1)</sup> [reference missing] Another crucial document is the Staff Working Document (SWD) which outlines in more detail the actions related to the Green Agenda for the Western Balkans included in the Communication on an Economic and Investment Plan for the Western Balkans adopted by the European Commission. [reference missing]



It details five pillars of the Green Agenda:

- (1) climate action, including decarbonisation, energy and mobility,
- (2) circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources,
- (3) biodiversity, aiming to protect and restore the natural wealth of the region,
- (4) fighting pollution of air, water and soil and
- (5) sustainable food systems and rural areas.

Digitalisation will be a key enabler for the above five pillars in line with the concept of the dual green and digital transition. The objectives of these pillars should be pursued through concrete actions and supported by mechanisms and financial instruments set out in the following sections.

*How to reach to sustainable products? – Key EU actions for circular and sustainable products*

- design to reduce products' environmental impact
- improve product sustainability information for consumers and supply chain actors
- prevent destruction of unsold consumer products
- promote more sustainable business models
- increase green public procurement

The proposed Ecodesign for Sustainable Products Regulation is the cornerstone of the Commission's approach to more environmentally sustainable and circular products. It is based on, and will replace, the current Ecodesign Directive 2009/125/EC, which has driven improvements in energy efficiency and circularity of energy-related products for over a decade. Until this happens, the existing directive will continue to operate, including by implementing the new Ecodesign and Energy Labelling Working Plan 2022-2024, also adopted on 30 March 2022.

Different stakeholders through actions should get involved for such actions.

Eco-innovation entails - By adding sustainability at the core of a business strategy the concept of Eco-Innovation can support small and medium-sized enterprises to become more resilient. Thinking from a life cycle perspective means considering all phases of the product life cycle, from extraction of raw materials through material processing, manufacturing, distribution, use, repair and maintenance to disposal or re-use.

1. Strategies to decouple economic growth from environmental degradation and achieve greater resource efficiency
2. Doing more and better with less across the entire life cycle of products
  - a. Materials recycling and recycling processes;
  - b. Water efficiency, treatment and distribution;
  - c. Sustainable product design;
  - d. New business models that include repair, sharing and reusing to increase the useful life of products.
3. Bridging the gap between research and market
4. A driver of business success and competitive advantage at the firm level
5. Requires the creation of favorable conditions structured at two levels of interventions:
  - a. At national level – framework conditions for eco-innovation (macroeconomic policies, regulatory environment, clear strategy and targets to address societal and a strong promotion of sustainable consumption and production practices).
  - b. At market level - a mix of market-based instruments can be designed for eco-innovation, with demand measures (regulations and standards, public procurement and demand support, technology transfer) and supply side measures (equity support, research and development (R&D), education and training, networks and partnerships, provision of infrastructure)



**Strengths of the industry**



## 5 Strengths of the industry

Textile industry of the country has stabilized with its simplified corporate tax codes, and VAT. Market environment of Albania has become positive over a period of time. The country remains as the last continental European market for high skills and low cost; labor intensive production. Key focus of Albanian textile industry is high quality, low costs, rapid response, and full package services of contract manufacturing.

Textile and apparel sector in Albania is ideally placed for short lead time, small production runs responding quickly to changing fashion trends. Albania is located in close proximity to the most important European fashion centers that enhances its manufacturing options.

Main reasons of doing business in Albania are as follows:

1. Optimistic investment climate
2. Energy infrastructure based on renewable energy
3. Competitive sector with sustainability
4. Medium to high end productivity
5. Competitive taxation and incentives policy
6. Proximity to EU countries – geographic location
7. Free economic zones
8. Macroeconomic stability
9. A very active and representing industry association
10. Qualitative academic and professional education covering the sector

### 5.1 Investment Opportunities:

Textile and apparel sector is one of the major sectors that draws investments and generate employment in the country. Albania has signed some trade agreements with countries of EU, Stabilization and Association Agreement (SAA) between the European Community Member States and Republic of Albania. Industrial products of Albanian origin exported to EU countries benefit from 0% preferential customs tariff; Central European Free Trade Agreement (CEFTA) since 2006 – (Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo signed an Agreement to amend and enlarge the Central European Free Trade); Duty free garments from North Macedonia with EUR 1 certificate; European Free Trade Association (EFTA) since 2009 with –(Iceland, Liechtenstein, Norway and Switzerland); Free trade agreement between Turkey and Albania since 2008 – (Duty free import of fabrics and trims from Turkey with EUR1 certificate).

Albanian textiles and apparels promise to offer interesting opportunities for industrial investments and collaborations. Government too, gives first priority to the textile and apparel sector in its policy frameworks. This not only regains its traditional competitiveness in the global forefront, but also attracts new foreign investments.

ProExport Albania representing the manufacturing enterprises and the experts of the sector strongly recommend and require from the government free trade agreements between Albania and countries producer of the raw materials such as Pakistani and Bangladesh,



## 5.2 Moving up the value chain

Early 1990 Albania participated mostly in apparel assembly operations through Facon scheme and by using the exportin zones mainly Italy. This scheme of business meant that operation solely concentrated in assembly of parts and export to Italy until when international textile and fashion environment and also the rising costs introduced the need for more value added chains of production and full package services.

With the increase of the the minimum wage and also the strong global competition in the sector starting in the region till the far Asia, the industry saw the need to move away from the low wage and labour intensive operations such as assembly only but engaging in more areas of the value added. Some of the biggest companies started investing in the cutting sector initially in the manual cutting processes. A few companies begun making efforts towards the full package service and fewer moved into the own brand production for home market.

Stepping from Cut and Make model into the OEM and OBM scheme is not affordable by everyone but the most competitive manufacturing companies operating in the CM can move into Full package and those operating in the FP scheme can step into the OBM. For the Albanian producers is clear that the less profitable chain of production is the assembly, so they move into the cutting operation going into CMT model. The design and marketing is well known that are the most profitable key components of the value added chains, but on the other hand as the most difficult and challenging for a small country as Albania to compete the strongest brands internationally ([The Vienna Institute for International Economic Studies, 2021](#))

For many companies it is very reachable even for those operating in CMT scheme to start designing or hire local designers to create production lines for home market and regional markets. CAD programs are now available and with training needed companies can offer pattern making operations and cutting for their clients as well as for their small lines for home and regional markets.

## 5.3 Promotion of capabilities

One way that companies can gain advantages from their competitors is through promoting their capabilities. This is important in this very competitive sector regionally and internationally. By promoting themselves, their products, capacities, processes, advantages etc. Albanian companies can gain access to the international clients and markets.

It cannot be acceptable any longer that Albanian producers remain in a narrow spectrum of clients and invisible for the broad international market. In this technology era, three ways are to be followed:

1. Visibility through online presence
2. Participation in fairs or B2B activities
3. Expanding the network

Companies in the Textile, Clothing, Leather and Footwear sector should take advantage from the very active business association ProExport Albania that is doing a very good work towards sector support and representation.

### **5.3.1 Internet/online presence**

Internet visibility and company presence online will help them to get closer to the international clients. So, the first step is creating a good webpage with information such as location, production capacity, human resources, departments, equipment, their motto, their history of cooperation with international clients, etc. Companies can use the numerous free web hosting to gain exposure. More ambitious companies can also use business to business promotion and e-sourcing websites. ProExport Albania's role here can be of high value in advertising its members.

### **5.3.2 Participation in fairs**

Besides internet presence the companies should be very active in participating in the most important international fairs. Many sourcing managers from international suppliers participate in such events looking for new markets, new cooperations, new partnerships. Especially when they are not very familiar with a certain country or region these suppliers search to benefit from the fairs. These activities are organized regularly throughout the year. The promotion in international fairs will play a role in creating connections, higher visibility of the Albanian producers. AIDA role should be more efficient into this direction.

### **5.3.3 Networking**

In this field, Albanian companies can learn from the best practices of other countries such as Turkey for example, where manufacturers have set up international offices for collaboration in marketing or also have set up a network of agents in the countries of their interest for exports or partnerships like Italy, Germany etc. Companies also can use for networking the embassies.

### **5.3.4 Best practices from European countries – Technological solutions**

Financial support in form of grants or direct financing for the businesses that are interested and oriented towards the production in country of the raw materials or auxiliary accessories such as fabric, leather, yarn.

### 5.3.5 Compliance with EU and UN regulations on SDGs progress and Green Agenda 2030

There is a high awareness of the EU countries towards Green Economy, Resource Efficiency, n Waste management, CO2 emission reduction, Circular economy. The Albanian government has shown its commitment towards these issues signing the Sustainability Development Framework of UN. The Albanian manufacturing sector has the responsibility to do its work towards these goals achievement. The chance to attract new European clients and well known brands suppliers in Albania will be higher if also the companies will show their commitment for a green and lean manufacturing. This can be putting targets and company's motto on the websites.

### 5.4 Sector attractiveness

With regards to the FDI in the Western Balkans, from 2010 – 2019 about 54bn Euro has entered the WB, from that 1/5 in Albania; FDI inflows is about 11.8% in Albania of the GDP holding the 2nd position after Montenegro. Most of the FDI in WB has been in manufacturing, followed by finance and trade ([The Vienna Institute for International Economic Studies, 2021](#))



**Albania as part of the  
Western Balkans**

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**Investments opportunities**



## 6 Albania as part of the Western Balkans - Investments opportunities

For Albania foreign direct investment (FDI) is a top priority. Albania has special state agency (AIDA – Albanian Investment and Development Agency) focused on attracting FDI (The Vienna Institute for International Economic Studies, 2021).

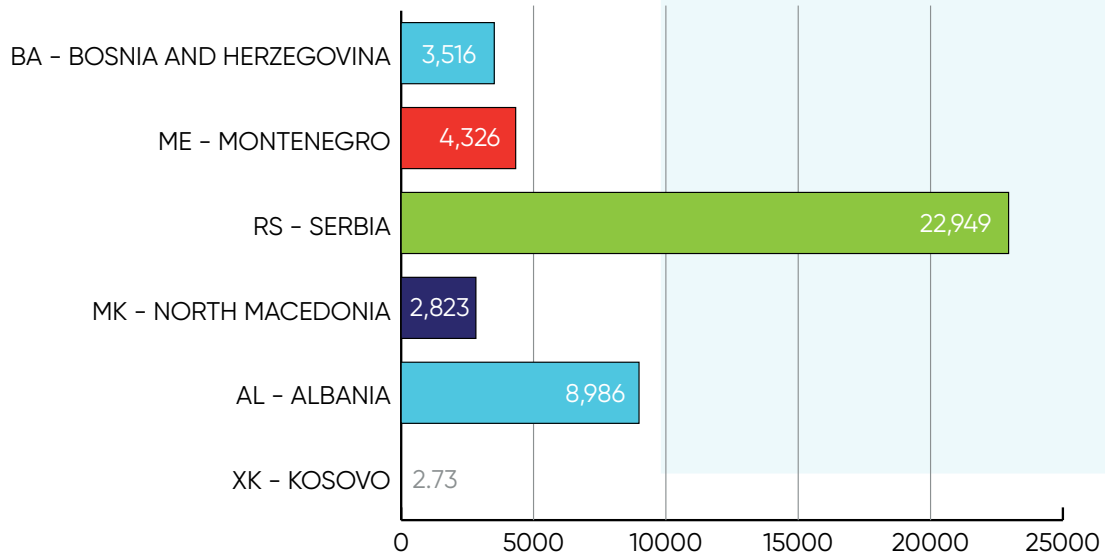


Figure 4 | Total accumulated FDI inflows into Western Balkan economies between 2010-2019 (millions EUR)

Looking at the trends for each of the WB economies, one can note that in Albania inward FDI has been stable during the period 2010-2019.

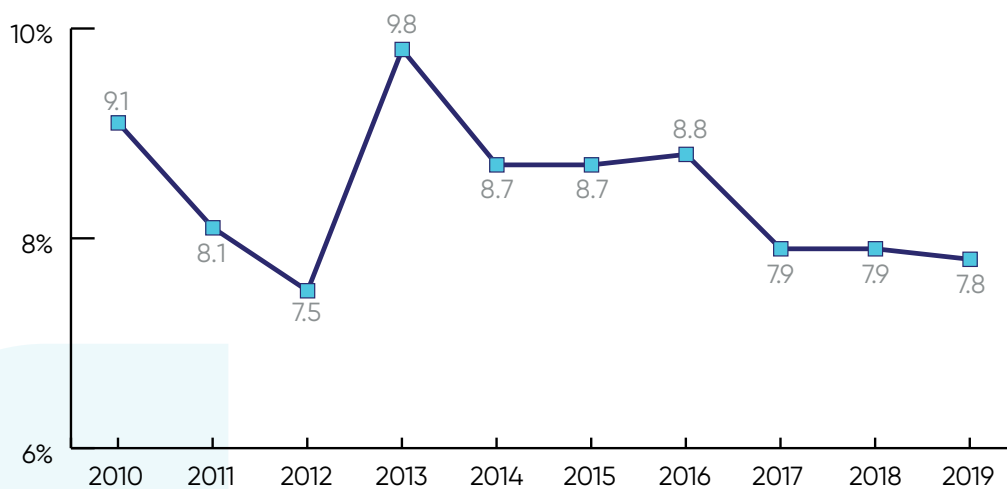


Figure 5 | Inward FDI trend, 2010 - 2019

For Albania most of the FDI came from Switzerland. Top 5 FDI countries for Albania during 2013 – 2019 were: Switzerland, Netherlands, Turkey, Italy and France. Most FDI in the WB during 2010–2019 was in manufacturing, at around EUR 8 billion.

During 2020 there was a decline in the FDI in Western Balkans. There were notable differences among WB economies during the pandemic in terms of FDI developments, with some of them experiencing an almost complete halt of FDI, while in some FDI continued to grow. The most severely hit economy was North Macedonia, where the decline in the second and third quarter of 2020 was 99%. In Serbia and Bosnia and Herzegovina the decline was 51% and 48% respectively, **while Albania had a rather small decline of 8.5%**. In Kosovo FDI grew slightly during the pandemic, by 0.7%, while in Montenegro it grew by 28%.

Looking at the four European countries where most FDI in the Western Balkans originates (the Netherlands, Switzerland, Austria and Germany), one can note that the Western Balkan economies take up a minor share of their total outward FDI (Table 1). For the Netherlands, Switzerland and Germany, the share of outward FDI that goes to the WB is less than 1%. Only for Austria is the share of WB FDI more significant at 4.8%. Since the WB economies are relatively smaller than other CESEE countries, their share in FDI originated in other countries is relatively smaller.

	Total outward FDI (EUR million)	FDI in the WB (EUR million)	FDI in the WB (% of total)
<b>Netherlands</b>	572,066	3,991	0.7%
<b>Switzerland</b>	479,529	3,858	0.8%
<b>Austria</b>	72,827	3,483	4.8%
<b>Germany</b>	705,169	2,499	0.4%

Table 1 | Outward FDI to WB countries from four European countries

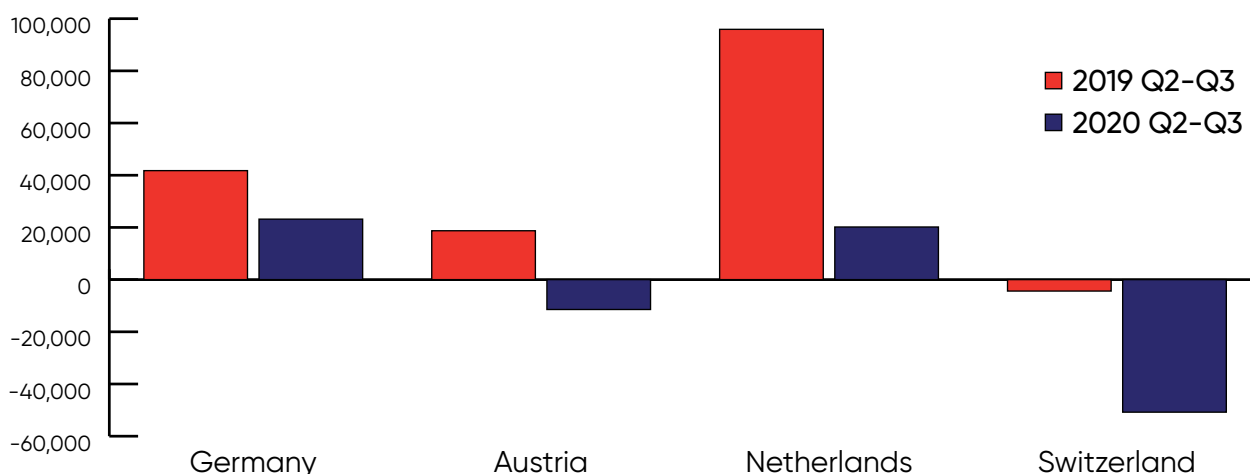


Figure 6 | Change in total outward FDI from the Netherlands, Switzerland, Austria and Germany during the pandemic (EUR million)



# Investment Incentives in Albania



## 7 Investment Incentives in Albania

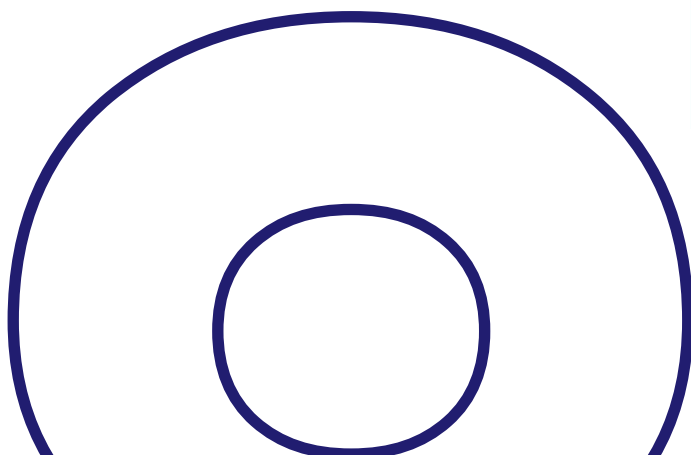
Investment promotion in Albania is under the scope of the Albanian investment Development Agency (AIDA). VAT is exempted for imports of agricultural machinery and equipment and machinery for investment with value exceeding EUR 360,000.

The main reasons why doing investments in Albania are:

1. Optimistic investment climate
2. Energy infrastructure based on renewable energy
3. Competitive sector with sustainability
4. Medium to high end productivity
5. Competitive taxation and incentives policy
6. Proximity to EU countries – geographic location
7. Free economic zones
8. Macroeconomic stability
9. A very active and representing industry association (ProExport Albania)

The most important factors for attracting FDI in Albania as part of the WB economies are governance, infrastructure and fiscal stability. Education and taxes appear important only in the long run. The Western Balkan economies present weaknesses in terms of governance, infrastructure and education. This might be seen as disadvantages for investors, while the low level of wages might be considered as clear advantage to investors.





# Survey results and recommendations



## 8.1 Survey methodology

To obtain a clearer view of the actual situation of the sector, production capacity, technology condition, financing needs of the sector to remain competitive and for a future growth and sustainability a survey of manufacturing enterprises was designed and released to 180 manufacturing enterprises, all members of ProExport Albania, the leading business association of the leather and textile sector. The survey focused in particular on the economic growth, sector trends, innovation, and infrastructure, responsible production and consumption, and the ESG criteria in order to identify gaps with regard to productivity, human resources, equipment, technology, digitalization, and lean manufacturing, with the ultimate objective of working together towards ensuring financing opportunities, higher performance of enterprise managerial staff, higher skilled labor force, technology upgrade according to the real needs of the sector for a more decent working conditions, better workplace cooperation, increased productivity, increased employment, and energy efficiency.

The targeted sample size for the survey aimed was of 151 enterprises. The questionnaire drafted and submitted for the survey needs included four categories of questions:

1. General Information
2. Business activity
3. Financial needs
4. Needs for trainings and technical assistance

The main criteria for selection was the affiliation to the business association (ProExport – Albania).

After the questionnaire online distribution, a total of 99 enterprises responded. The survey was followed by telephone interviews for a total of 52 enterprises that didn't respond online bringing the total of respondents to 151 enterprises.

The size of enterprises and their placement in the supply chain are expected to correlate positively with working conditions, innovation, application of international production standards, together with updating lean manufacturing, resource efficiency and cleaner production, intention towards the circular economy or their will and readiness to start working towards such goals and the readiness to make more investments.

This purposeful sample size represents about 22% per cent of the textile, clothing, leather and footwear enterprises employing 10 or more workers, and approximately 84% per cent of the ProExport Albania members, the only association of the textile and garment enterprises in Albania. Enterprises that participated in the survey are 70 per cent in production of textile and garment and 30 per cent in production of leather, footwear or other category.

The sampling is random and purposefully, so it can represent in a good scale the situation and needs of the sector.

## 8.2 Survey results and findings

According to the ProExport collected data on the number and distribution of the companies in country, from a total of 700 enterprises, 65% of the companies are in the textile and garment sector with about 36,400 employees. The companies in the textile sector are partly certified with ISO 9001 - OHSAS 18001 with a percentage of about 35% of the active enterprises in the sector.

35% of the companies are in the footwear sector with about 19,600 employees. The companies in footwear sector are partly certified with ISO 9001 - OHSAS 18001 with a percentage of about 15% of the 245 enterprises active in the sector.

The clothing and footwear manufacturing sector has over 740 active factories and enterprises, large, medium and small in the country and over 75,000 employees. For 2022, this industry provided about 40 percent of the country's exports with a value of over 950 million euros.

These enterprises operate under one of the following business models or production modality:

- make only: sewing only.
- cut only: cutting process only.
- cut, make and trim: manufacturers cut the fabric, make the clothes according to the design, and trim while the designs and raw materials are provided by the customer.
- full cycle: design is included.
- own collection: own brand and private label

Previous studies undertaken in the sector recommend that Albanian manufacturers need to switch their competitive advantage from low-value added services that generate only low income for employees in the sector towards full cycle, guaranteeing quality jobs, better working conditions, including occupational safety and health workplaces. Albania's competitive advantage could be quality and design. Albania could stand out on quality performance, elaborating with design, offering customized or on-demand ready-to-wear goods for customers in the middle and high-segment of the value chain.

### 8.3 Enterprise Information

A total 151 enterprises responded to the submitted questionnaire using two forms of responds: Online in written form and through telephone interviews.

The distribution of enterprises participating in the survey correlates with the geographic distribution of enterprises in the country, as shown by the national official data. The main cities where these activities are located are Tirana, Shkoder, Durres, Kruje, Berat, Korce and Fier.

The production destinations of the invited TCLF enterprises to answer the survey are the following:

- Italy 61%
- Germany 21%
- Greece, Austria, Hungary, Belgium, Netherlands etc. 18%

The majority of enterprises operate in premises hired; 38% in owned premises and only 1% use contracts for exploiting the property.

Around 56% of the enterprises are well established in the market with an activity in the sector of longer than 10 years. Only 6% are new in the market with 1-2 years of activity, the majority are old.

27 enterprises are owned by females and 70 enterprises owned by males.

79% of the enterprises have Albanian ownership; 15% foreign ownership and only 6% are in a joint ownership. 90% of the employed working force in the sector according to the survey are females.

### 8.4 Machinery, equipment

The most purchased or invested machinery and equipment in the sector with 97% is owned by the enterprises and only 3% is owned by the subcontractor; 71% of the equipment and machinery is purchased by the owner with its own capital; 13% purchased by the owner through bank loans and is all paid; 16% of Albanian owners have purchased machinery with loans which have not been paid yet.

About the age of machinery 4% have very new or recently purchased machinery; 81% new or normal; 11% old and 4% have not invested in machinery and equipment operating with very old one.

The transformation of the production processes by supporting the purchase of innovative industrial machinery by increasing the depreciation index from the current rate of 20% to 40%. In this way the tax burden will be smoother for the enterprises and they will have more liquidity.

52% of enterprises own their own vehicles which are mostly Benz, Citroen, truck used for transport, Volkswagen etc.

The lack of employees is often referred by the enterprises as one of the main actual issues of the sector. Some of the enterprises have started considering hiring of foreign workers. 10 enterprises have responded they have hired foreign workers.

## **8.5 Products and production**

About the typology of production 70% of the enterprises operate in garment manufacturing subsector, 22% in the footwear subsector, and 8% respond in other typology of products such as textiles, home textiles, technical textiles etc.

30% of the enterprises, according to the survey, have 2 years active contracts with their clients, 17% of them 3 years contracts, 2% and 36% respectively 6 months and 1 year contracts. 15% of the enterprises do not specify the length of agreements they have with the clients.

About the production destination, 78 enterprise work only for export; 1 for home market only, 8 enterprise work for they own brand; 15 only as subcontractors; 19 export and subcontracting; 3 enterprises work for export and home market. We can see here that many enterprises want to remain in the subcontracting working model to save the security of their contracts which in the sector are middle and long term.

72% of the enterprises produce outwear (fashion); 24% of them produce footwear, 1% protective clothing, bags for packaging; 2% underwear, 1% paper bags and garments (outwear).

The main products or services for the home market are: medical clothes, workwear, sportswear, footwear, finishing and dying for jeans products, stamping.

## **8.6 Raw materials import**

For the purchase/import of the raw materials, About 70% of the market is Italy and Germany. 50% purchase it in Italy; 9% in Germany, 3% in Greece, 3% in China, 2% in Hungary, 1% in Pakistan, 3% in Albania and 3% do not specify the import country for the raw material.

## **8.7 Export and destination diversification**

About 50% of the companies are planning to expand their export markets. These markets are preferably in the western Europe. Meanwhile 42% enterprises are planning to diversify their products portfolio.



## 8.8 Skills needed from enterprises

The most preferred time for the required training is after the official working hours for 53% of them; 33% answer during the lunch break; 11% before the official work start and only 3% do not specify. Lack of the labor force is the major and most common problem that enterprises face.

95% of the companies answer that the lack of labor force is a big problem for them; the high raw material prices is the main issue for 30% enterprises; high price of the electricity is the main problem for 60 % of the enterprises, 30% of the enterprises see impossible the access to the financing tools; lack of government support is the main problem for 65% of the enterprises, excessive customs procedure is the problem for 10 of the enterprises participating in the survey.

Businesses operating in the TCLF sector through ProExport association have request from the Albanian government a fast line for the incoming foreign employees (from Nepali, India). Currently the work permit last 90 days as Labor Office procedure, in many cases even longer forcing enterprises reapplying with increased cost and loss of time.

The needed skills and training plans mostly needed are: technical skills for 6%% of the enterprises; 44% of enterprises need more technical, practical and technological skills; 45% of them need skills and training plans for some specific operations and processes; 25% of the enterprises need more practical skills for graphical and design, CAD/CAM.

The owner or administrators of the enterprises need trainings in some specific issues such as: 63% enterprises on how to be more competitive in the international markets; 54% of the enterprises on how to find and increase the financial support of the sector; 35% on how to increase the visibility of the sector; 39% of enterprises administrators need more trainings on how to increase and consolidate the role of the business association; 36% on how to diversify the production; 50% enterprise administrators on how to increase the efficiency of production; 34% enterprise need more training on the importance of the financial data management and access.

## 8.9 Financial assistance

About the actual export value in Euro for the enterprises, 33% count between 500,001 - 1,000,000; 35% over 1,000,000 Euro, 15% between 300,001 – 500,000, 10% between 200,001 - 300,000 and 7% less than 200,000Euro. 65% of the enterprises face difficulties in receiving payments from their clients. The enterprises in general in the sector face different problems or difficulties which make this sector vulnerable especially during crisis periods because of force major like Covid – 19, earthquake, War in Ukraine. The main problematics that enterprises face during paying their obligations are:

44% of the enterprise face difficulties for workers wages payments; 50% taxes or social insurance payments; 13% bank of financial institution loans, 26% have difficulties in paying their suppliers.

To the question if the enterprises need more financing, 50% of them answer they do need; 14% of enterprises are ready to ask for financing up to 75,000Eur; 9% of them up to 100,000Euro; 19% of the enterprise can afford loans between 100,000 – more than 200,000Euro; 9% of the enterprises up to 50,000Euro.

The financing amount the enterprises are ready to get, they need mostly for investments in technology (51%); 39% in energy saving plans/equipment/technology; 35% working capital/raw material purchase; staff training 10%; ISO certification 8% of the enterprises; 40% enterprises in equipment and machinery, vehicles; 38% enterprise ask it for the increase of the labor force.

40.2% of the enterprises who want investments in equipment and machinery, specifically are divided: 53 for increasing the productivity, 41 want to replace the old and depreciated machinery, 45 for investing in modern technology, 27 for production diversification, 2 enterprises want financing means for paying off the existing loans.

The amount they are ready to require for 45% of enterprises is between 25,000 – 50,000Euros, up to 75,000Euros for 9% of enterprises; 16% of them will ask for less than 25,000Euro, 13% of the enterprise can afford amount up to 100,000Euro for new technology and equipment, 9% of them between 100,000 and 150,000Euro and 8% enterprises more than 150,000 Euro.

36% of the enterprise are ready to invest in solar panels; 12% in reconstruction of the business activity premises; 11% in construction and repairing the existing buildings and 41% do not plan in investing in reconstruction.

We see a tendency that most of the enterprises do not want to invest in buildings, this also because many of them operate in hired premises. 45% of the enterprises are not ready to invest more than 25,000Euro for the building, 25% of enterprises can invest between 100,000 and 200,000Euro, 30% of them up to 100,000Euro.

For the repayment length of the loan 70% are interested in more than 3 years loans; 26% in up to 3 years loans; 4% up to 2 years.

If enterprises were required to provide collateral for the loan they will receive, the type of collateral they provide is: 45% use their machinery and equipment, 13% in vehicles, mortgages 12% of the enterprises and no collateral interest for 30% of the enterprises.

The loan received from the enterprises is expected to increase the number of workers. 29% of the enterprises expect to increase 21 – 30 the number of employees; 20% between 11 and 20 employees, 7% 5-10 employees, 12% of them will increase 31 – 50 the number of employees, 22% more than 50 employees and only 1% don't specify.

While for the annual turnover the investment is expected to give an increase 41% of the enterprises expect an increase of 30%, 26% of enterprises between 21 – 30%, 22% of the enterprises between 11 and 20%, and 10% of enterprises between 5-10% increase of the annual turnover.

Among the 33 enterprises who have an active loan, 11 of them have a loan of more than 150,000Euro, 4 enterprises have a loan between 50,000 – 75,000Euro, 3 enterprises between 75,000 – Eur, 9 enterprises less than 25,000Eur, 6 enterprises 25,000 – 50,000Eur.

Investments in the sector are crucial for the future and the sustainability of the sector. As a recommendation we strongly suggest the exemption from VAT (on purchase) and the financial support for micro-investments especially in the renewable energy sector.



# Conclusions and recommendations

## 9 Conclusions and recommendations

1. Results of the survey show that Albanian enterprises have made progress towards broad integration with global value chains, mainly by working within the framework of the “cut-make-trim” business model and introducing features of “full-package” or own-brand manufacturing.
2. On the other side, referred to the previous and recent studies, limited progress has been made with material sourcing, testing, research and development, application of new technologies, and recycling.
3. Findings of the survey undertaken by NOA and ProExport Albania in early 2023 indicate that textile, garment, leather and footwear manufacturing enterprises in Albania have been experiencing a rapid increase in the size of orders from major foreign partners.
4. Based on previous research studies several enterprises that had experienced up to a 200 per cent increase in exports. The main cause for the significant increase is the nearshoring decisions of major retail garment and footwear groups to transfer production in nearby locations, in response to increasing manufacturing costs in Asia and higher transportation prices.
5. Currently, well-known international brands are requesting additional orders from Albanian producers which, because of limited production capacities and technologies, are not able to respond to immediate and large orders. In addition, enterprises in the textile, clothing, leather and footwear sector are in desperate need of additional labour.
6. The increasing demand for production is pushing enterprises to improve work force management, to increase productivity and to upgrade technology.
7. Current market conditions and customer demand make this the right moment for the textile, clothing, leather and footwear sector to add more value to their production chain, as for the first time in decades Albanian enterprises can select the orders themselves. The low labour costs in Albania can no longer be the main competitive advantage. New production alternatives need to be embraced.
8. The main findings of the survey indicate that textile, clothing, leather and footwear enterprises in Albania need to take additional steps to address the quality dimensions of jobs in the TCLF sector.
9. Albania’s proximity to EU markets has enabled manufacturing enterprises in the industry to establish strong relationships with European clients. The next challenge is the expansion and diversification of exports and suppliers/clients to give Albanian manufacturers a stronger bargaining position against European suppliers. Albanian producers need to resist their fears of losing their only client through diversification.

10. The sector is expecting to expand due to the increasing prices of raw materials, higher transportation and energy costs, and the lack of operators, as well as increasing demand for outsourcing in Albania from European partners. The expansionary trend in customer demand is causing major challenges for Albanian textile, clothing, leather and footwear manufacturing enterprises

11. Cut Make and Trim remains the main manufacturing modality in Albanian enterprises. This means that design and cut patterns are imported. Because the sector mainly serves the European market, the contract providers have full control of pricing, margins, timing, and sales. As a result, Albanian enterprises are highly dependent on foreign clients and markets. The major shortcoming in this respect is the sector's low level of added value generated in manufacturing.

12. Outsourcing services generate economic growth but the relationship between fashion enterprises from developed countries and their developing country partners is unbalanced. SDG implementation and monitoring monetary costs some of the additional costs should be borne by EU suppliers and/or Albanian government (production vs. retail cost revision).

13. There is a high demand and at the same time a significant labour shortage for sewing operators, production line technicians, machine maintenance technicians, textile engineers, and pattern making technicians. Trainings are important and highly required by the enterprises.

14. Financial and regulatory support are required to facilitate instalment of photovoltaic panels that will enable mass production powered by renewable energies.

15. Skills upgrading of ProExport Association in promoting joint product development, waste management, recycling of materials, exploitation of new markets, and upgrading along the industry value chain.

16. The transformation of the production processes by supporting the purchase of innovative industrial machinery by increasing the depreciation index from the current rate of 20% to 40%. In this way the tax burden will be smoother for the enterprises and they will have more liquidity.

17. Actually, when the WB region competition and not only, is growing, the manufacturing industry of garment and footwear, as one of the most important sectors in terms of employment and exports, is necessary the transition to the closed cycle of production with even Made in Albania products in the EU and beyond markets.



18. The increase in costs, the growing demands from European Brands for their products in our factories (which we cannot afford due to the lack of liquidity for investment/production diversification), the pronounced lack of employees (the sector has over 20,000 vacancies), promotion in international fairs, training in human resources and Eco Friendly products, are some of the challenges where the sector has difficulties which can only be overcome with stakeholders (government, financing agencies) support.

19. Financial and regulatory support are required for technology upgrade

20. With the financial funding from microfinancing institutions the enterprise will increase the annual turnover, number of employees, skills of the labour force and managerial staff, upgrade technology, increase the productivity.

21. The annual turnover of enterprises will increase by over 30% for 41% of the enterprises; up to 20% for 22% of the enterprises, up to 30% for 26% of the enterprises.

22. The financial funding/loans will have a high impact in the number of newly hired employees: for 22% of the enterprise the number of workforce will increase with 5-10 employees; 29% of them will hire up to 20 new employee; 12% of enterprises will have up to 50 new employees, 22% of them will have even more than 50 new employees.



# 10

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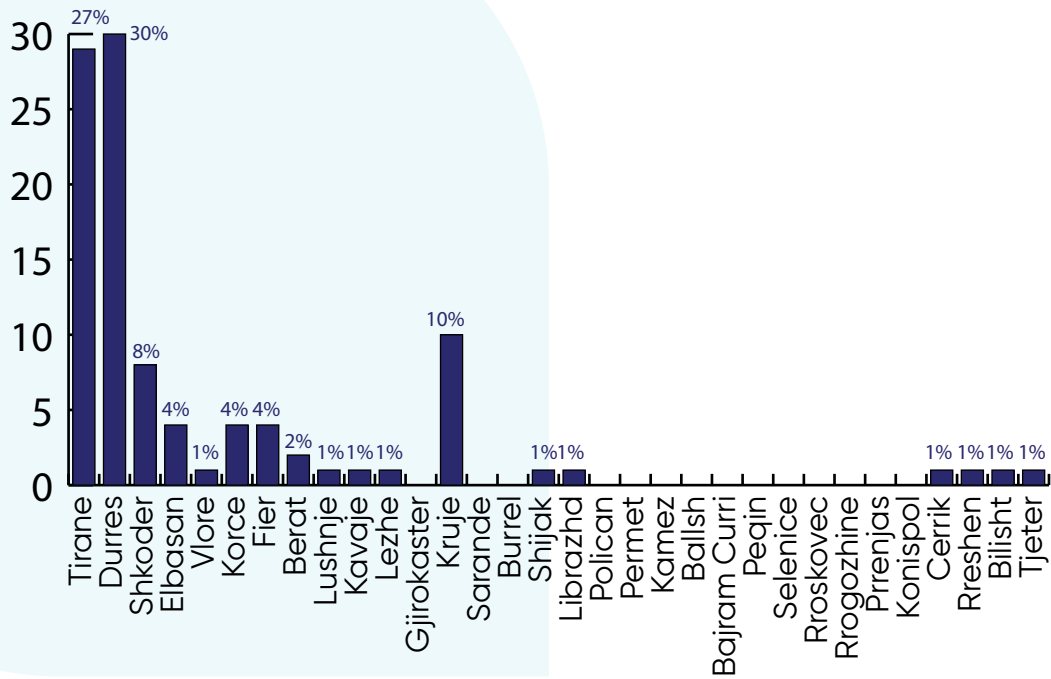
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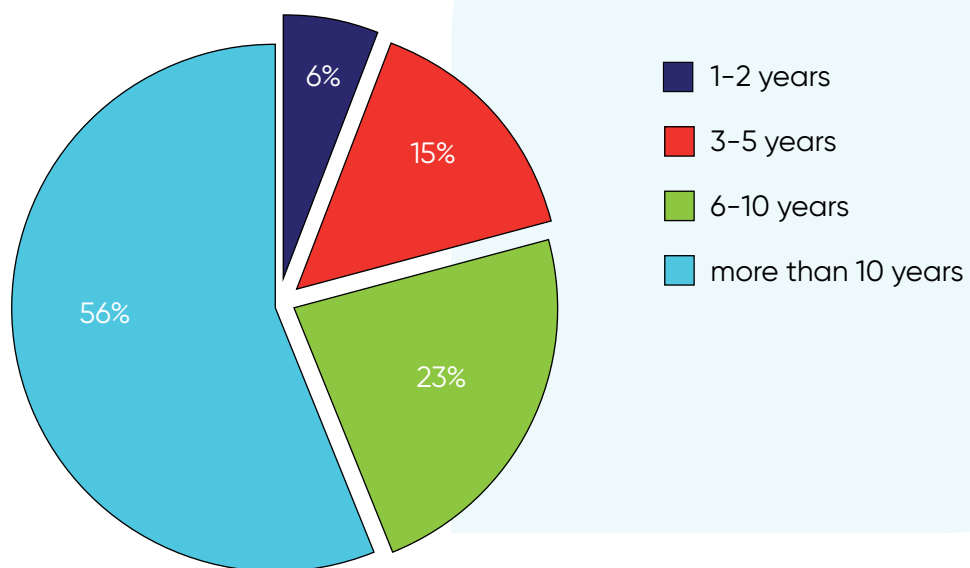
ANNEX 1

# SURVEY RESULTS

## 1. Distribution/Location of enterprises

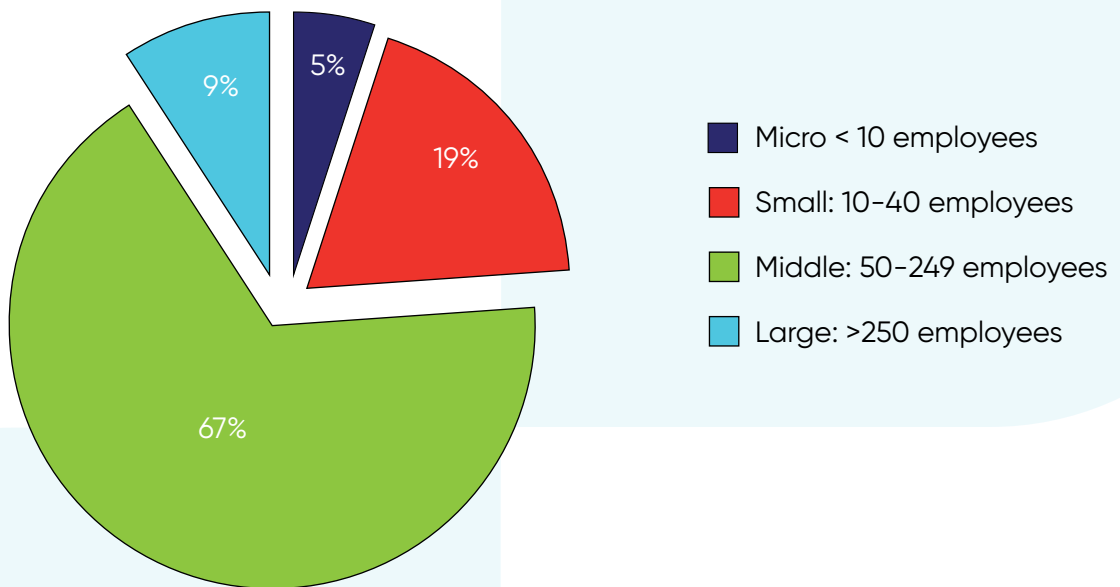


## 2. Activity in the market

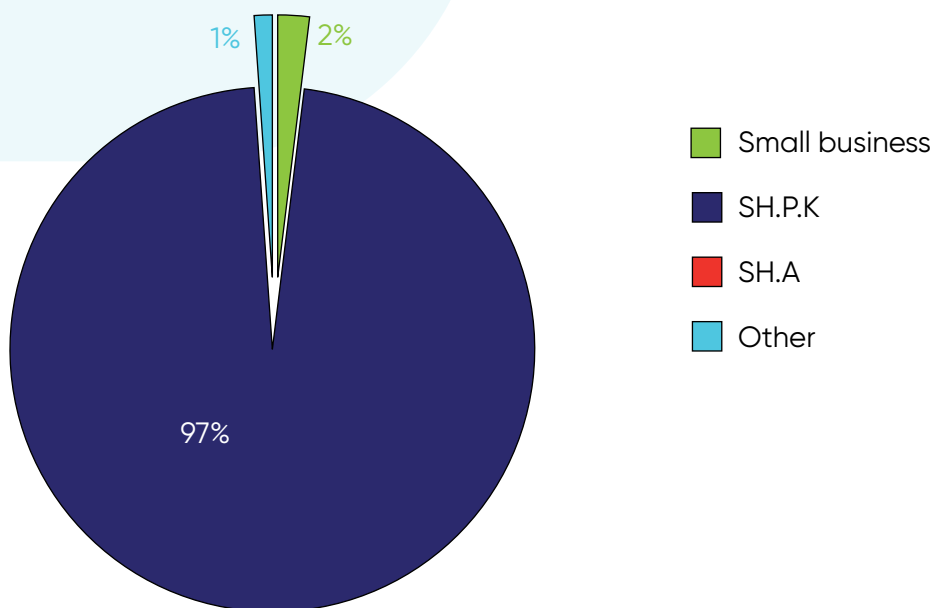




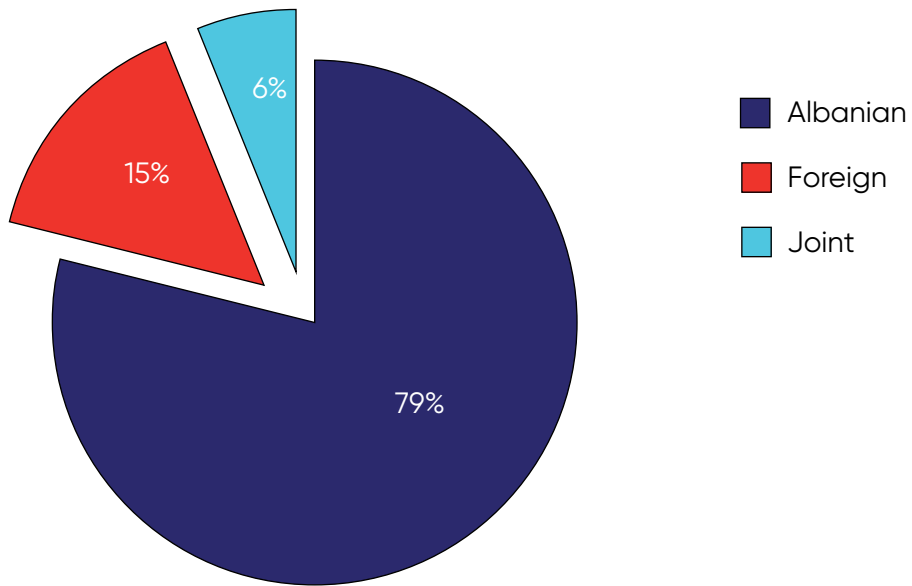
### 3. Enterprise size



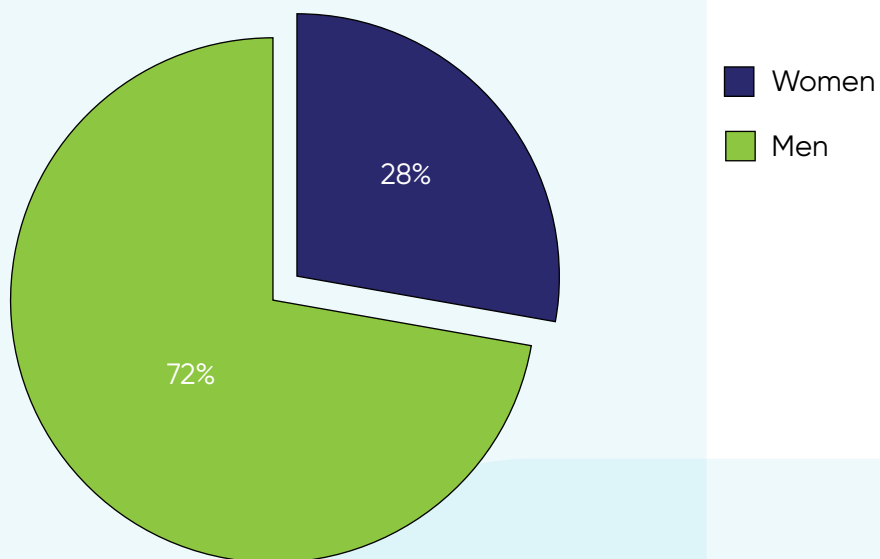
### 4. Legal registration of the business/enterprise



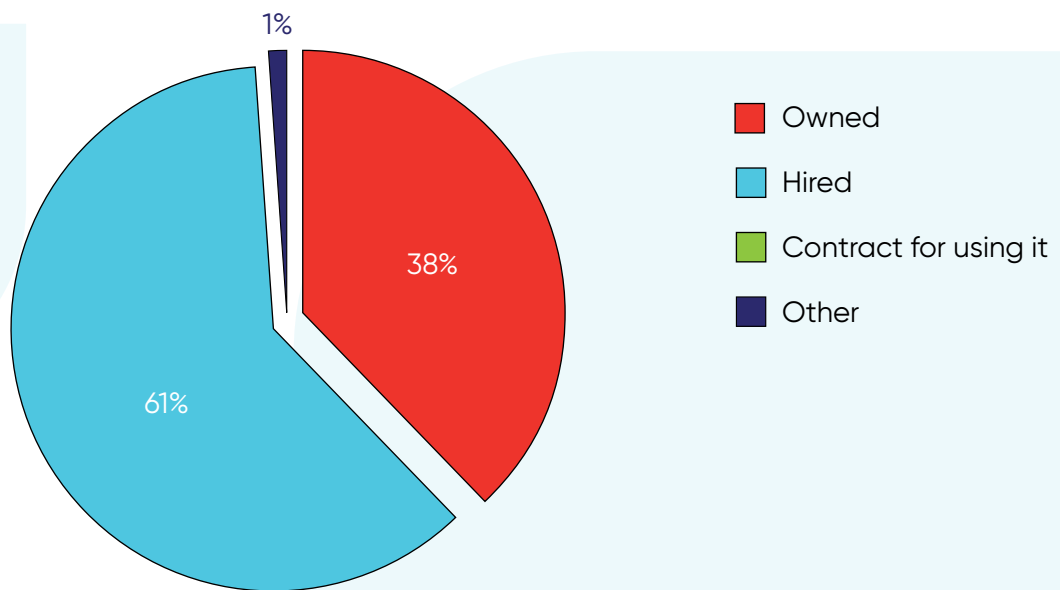
## 5. Ownership of enterprises



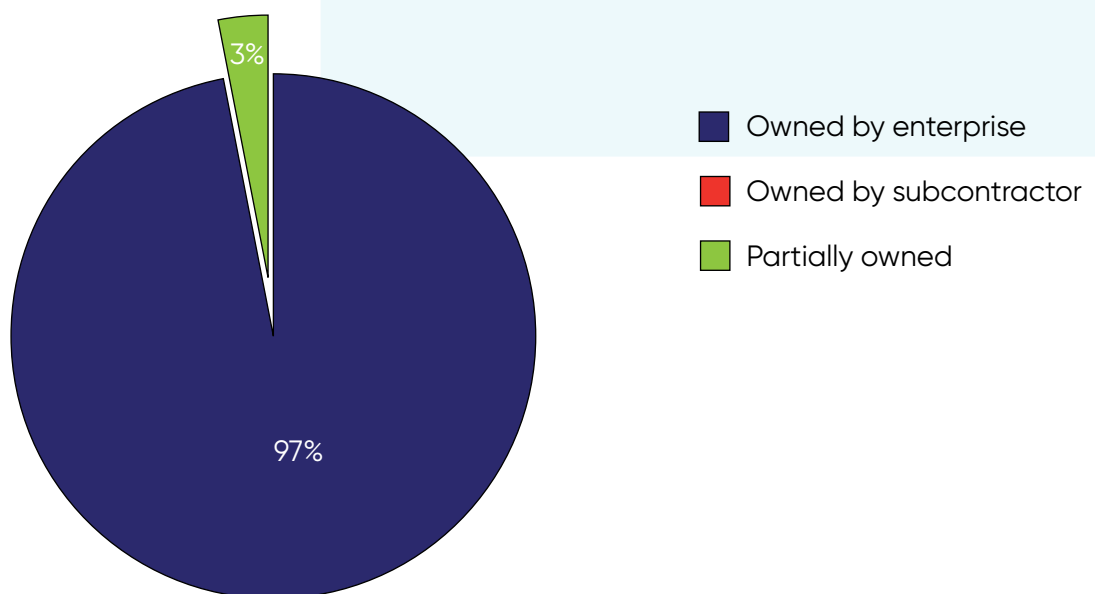
## 6. Ownership according to the gender division



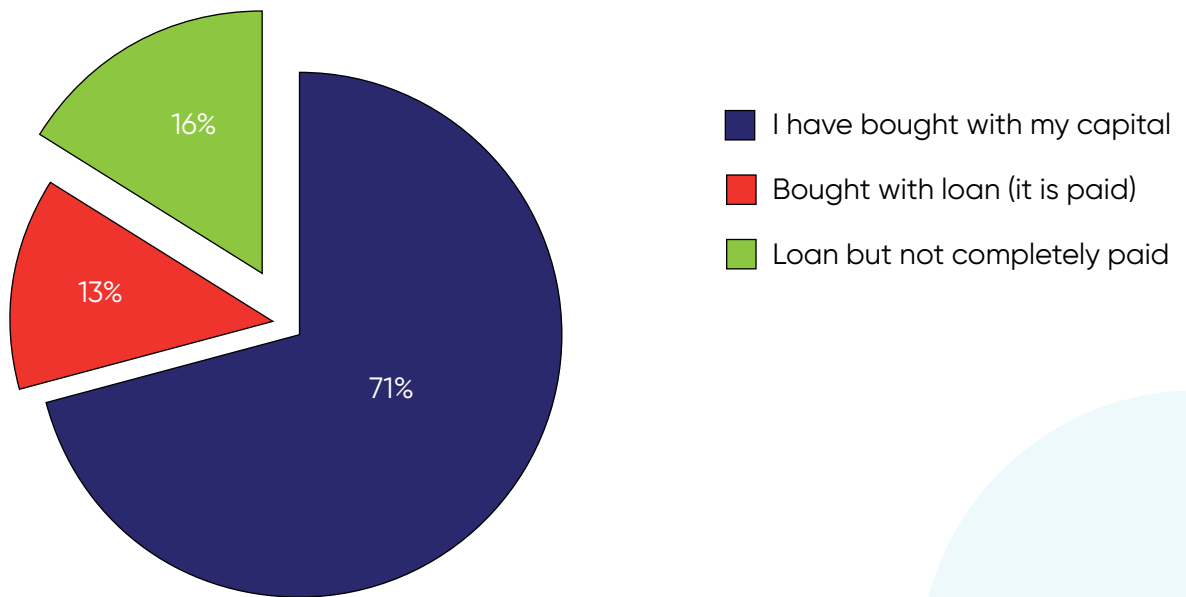
## 7. Business premises



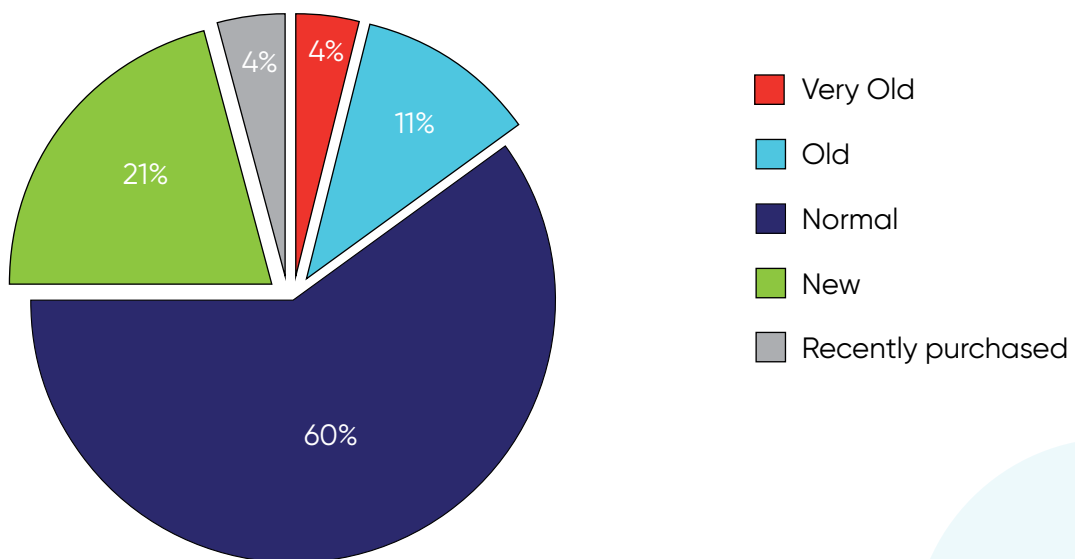
## 8. Machinery and equipment ownership



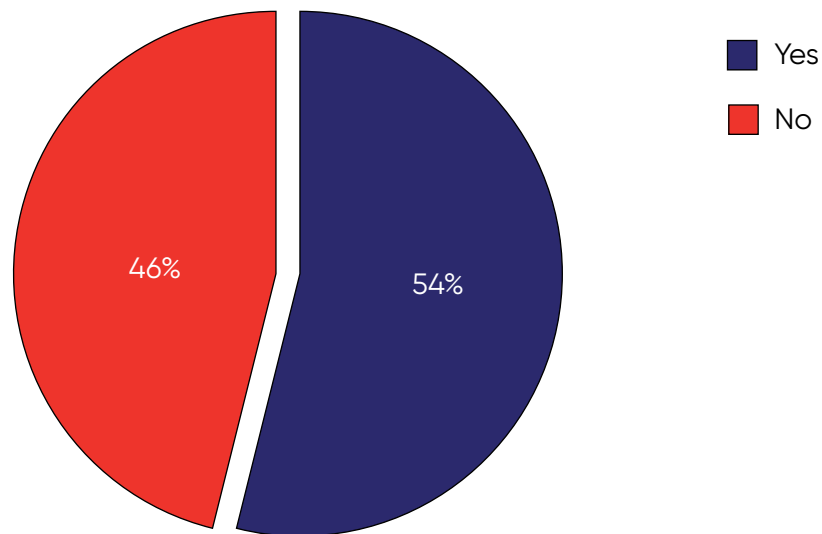
## 9. Equipment/machinery method of purchase



## 10. How old your equipment/machinery is?



11. Do they own vehicles?

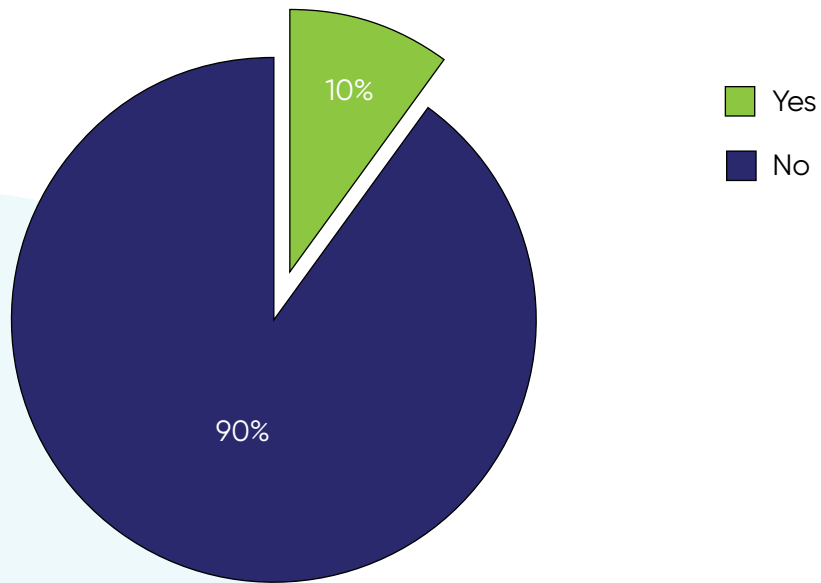


12. **51** respondents have listed the types of their vehicles such as:

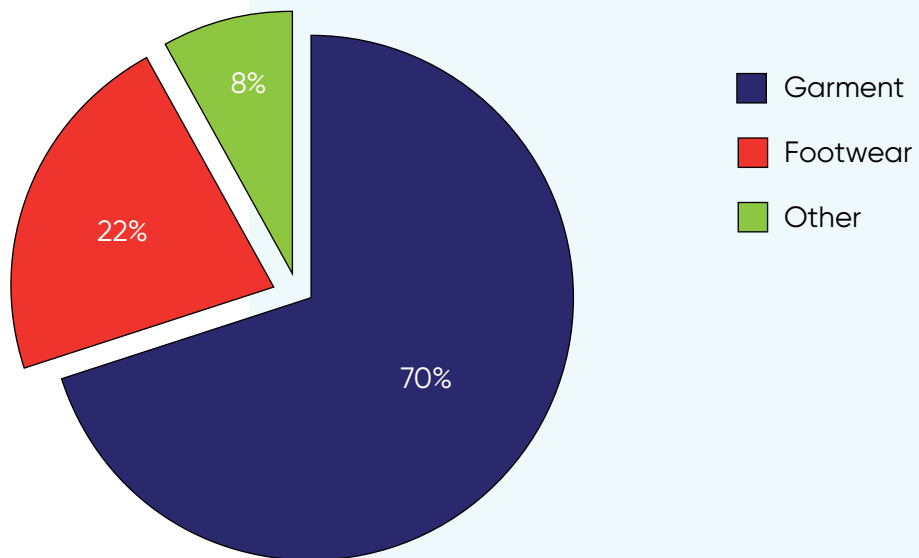
- Mercedes Benz
- Citroën
- Trucks
- Volkswagen
- etc.



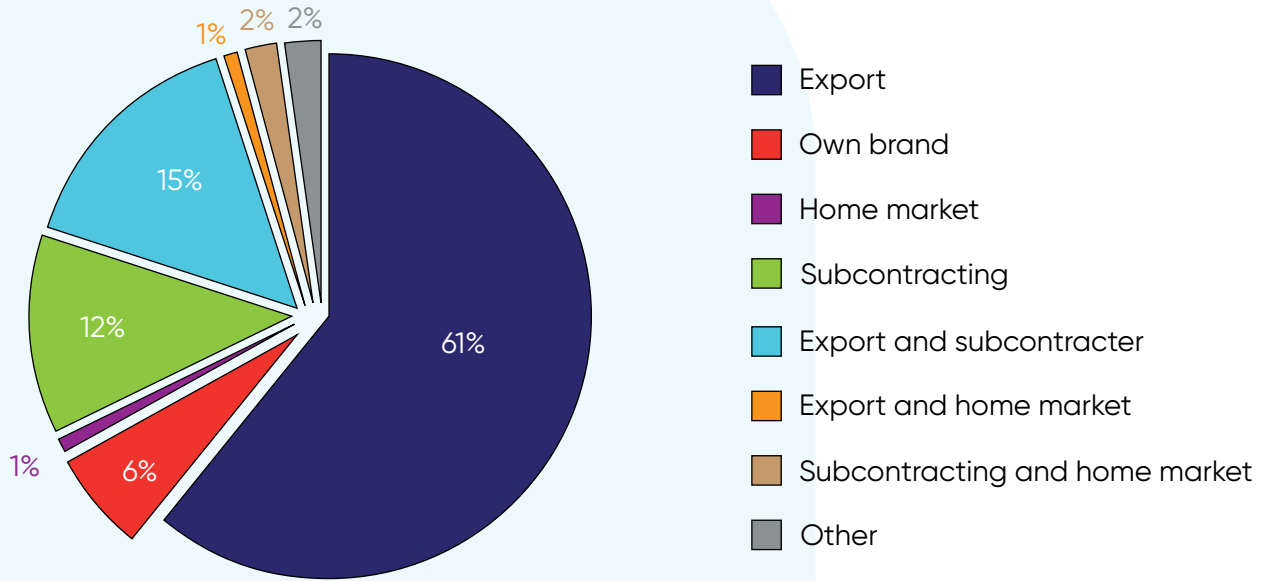
13. Do you have foreign employees?



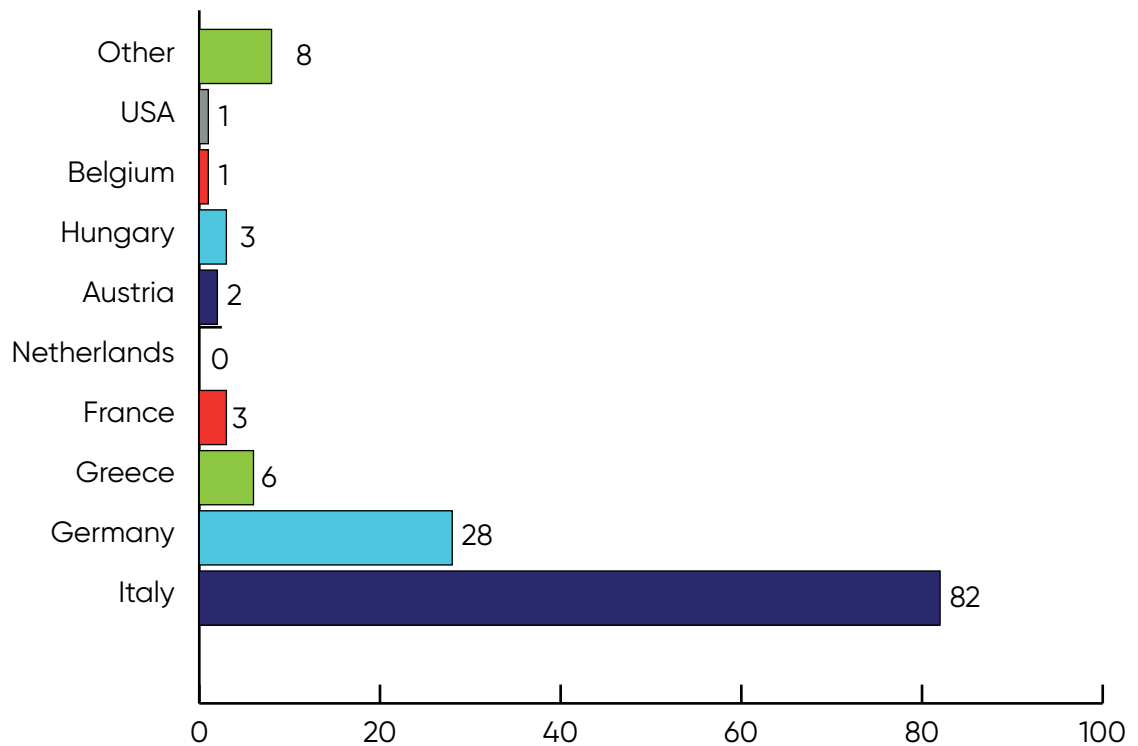
14. About the typology of production



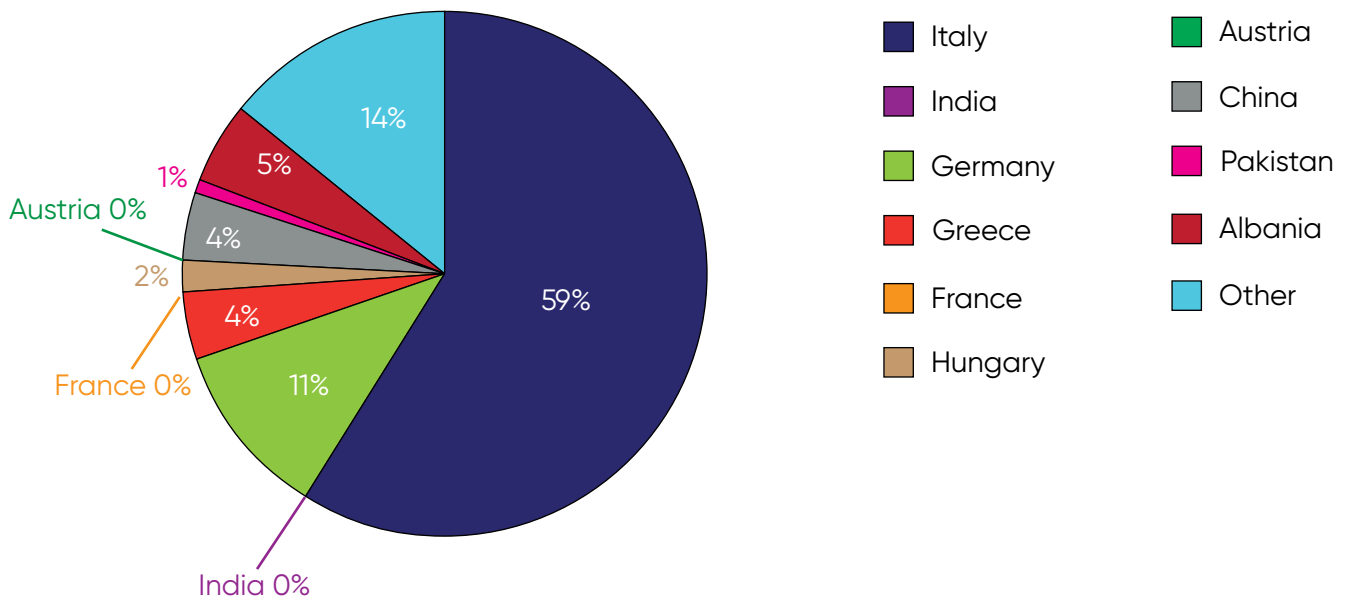
### 15. Business destination



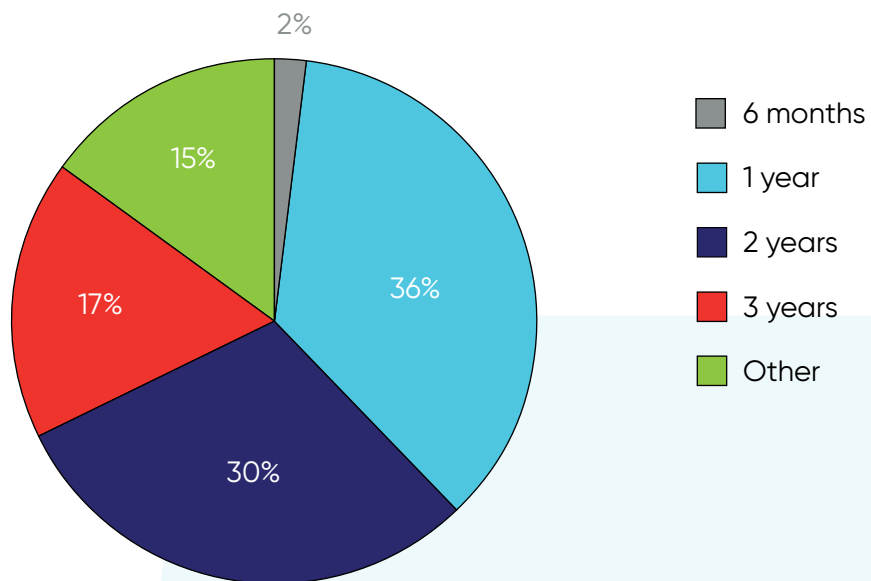
### 16. Foreign market export destination



### 17. Raw materials import countries



### 18. Length of active contracts with clients

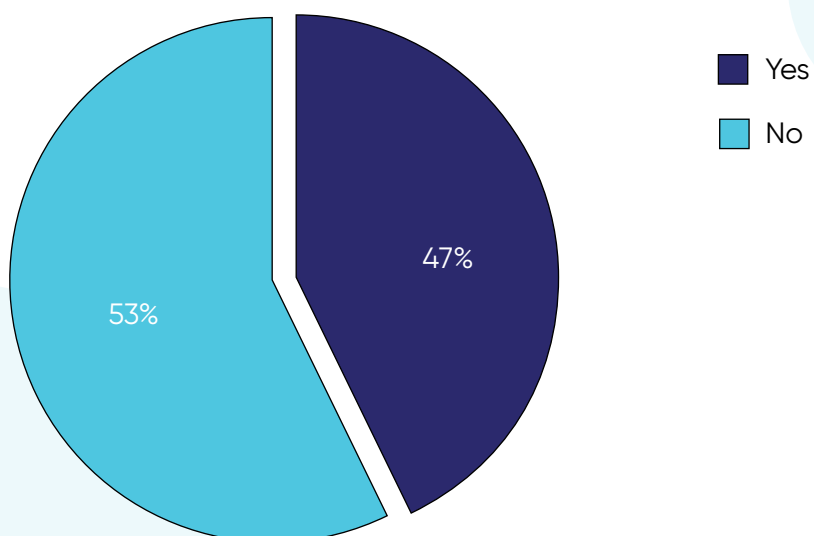


19. Export market expanding

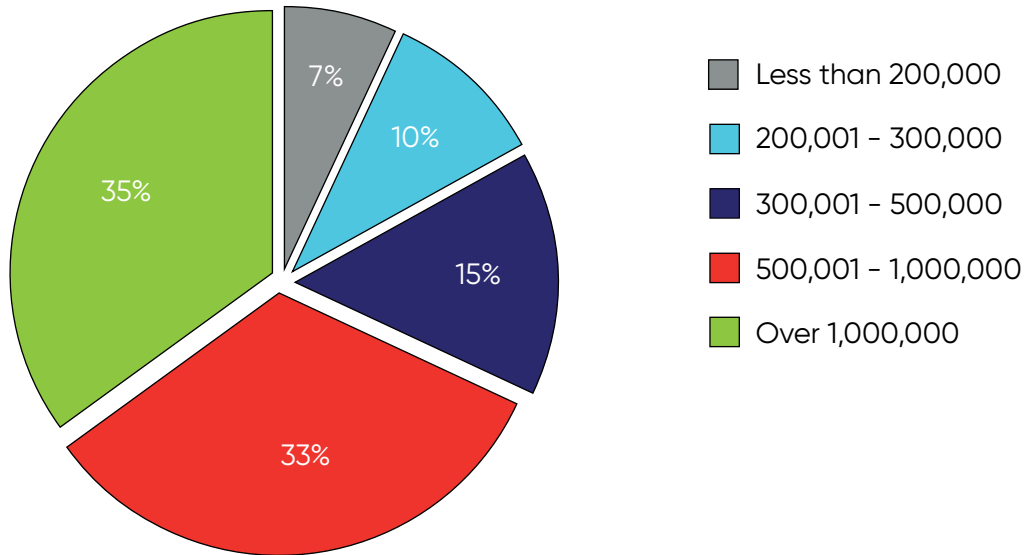
**54% of the enterprises plan to expand their export markets.**

These markets are preferably in the western Europe.

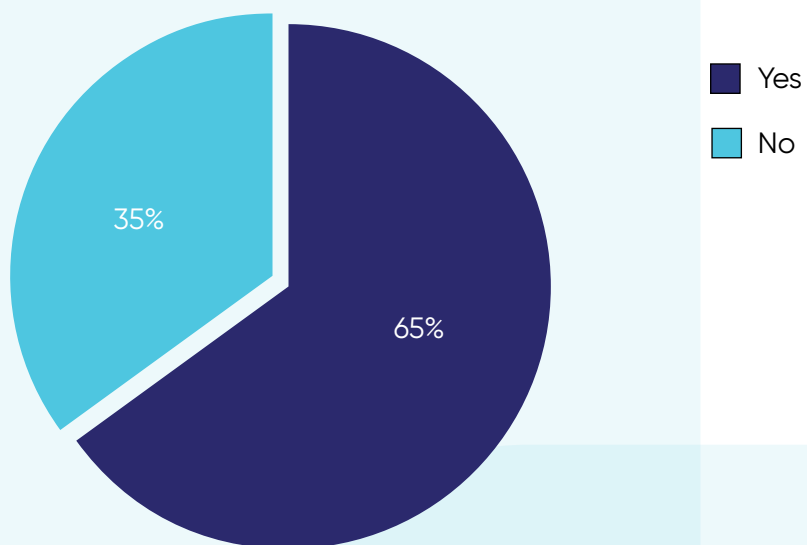
20. Diversification of production



21. Actual export value in Euro:

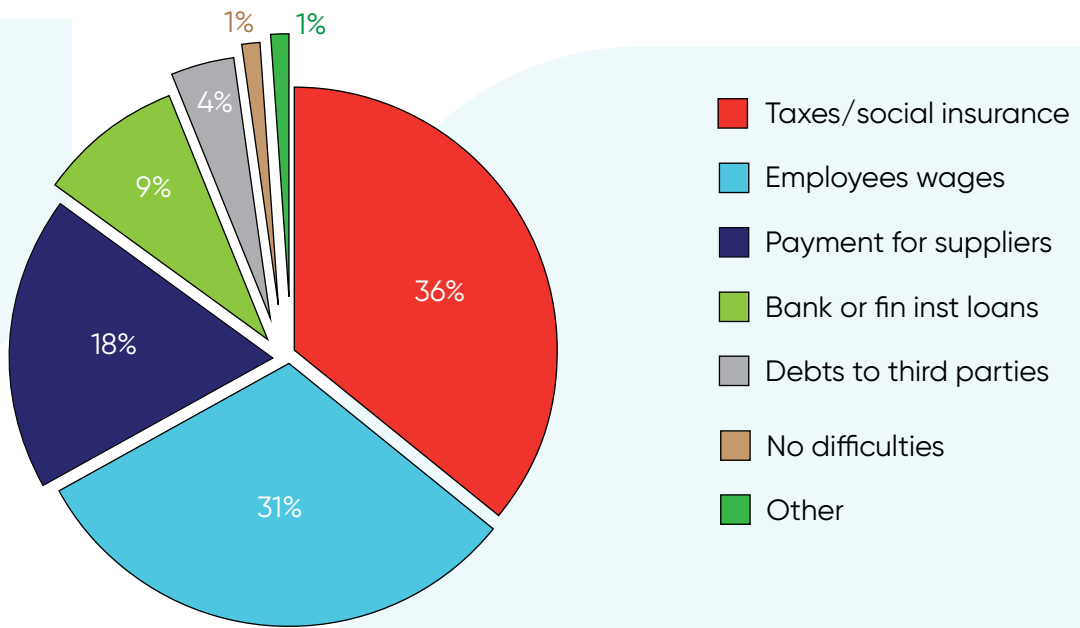


22. Difficulties in receiving payments?

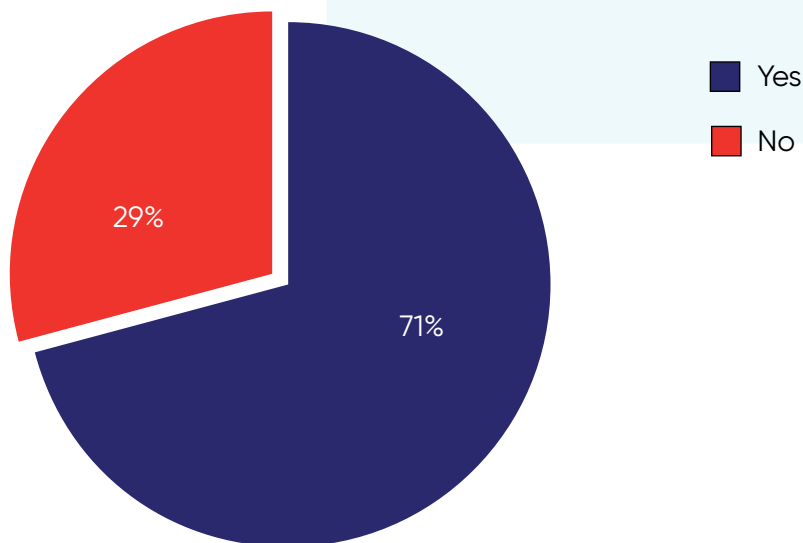




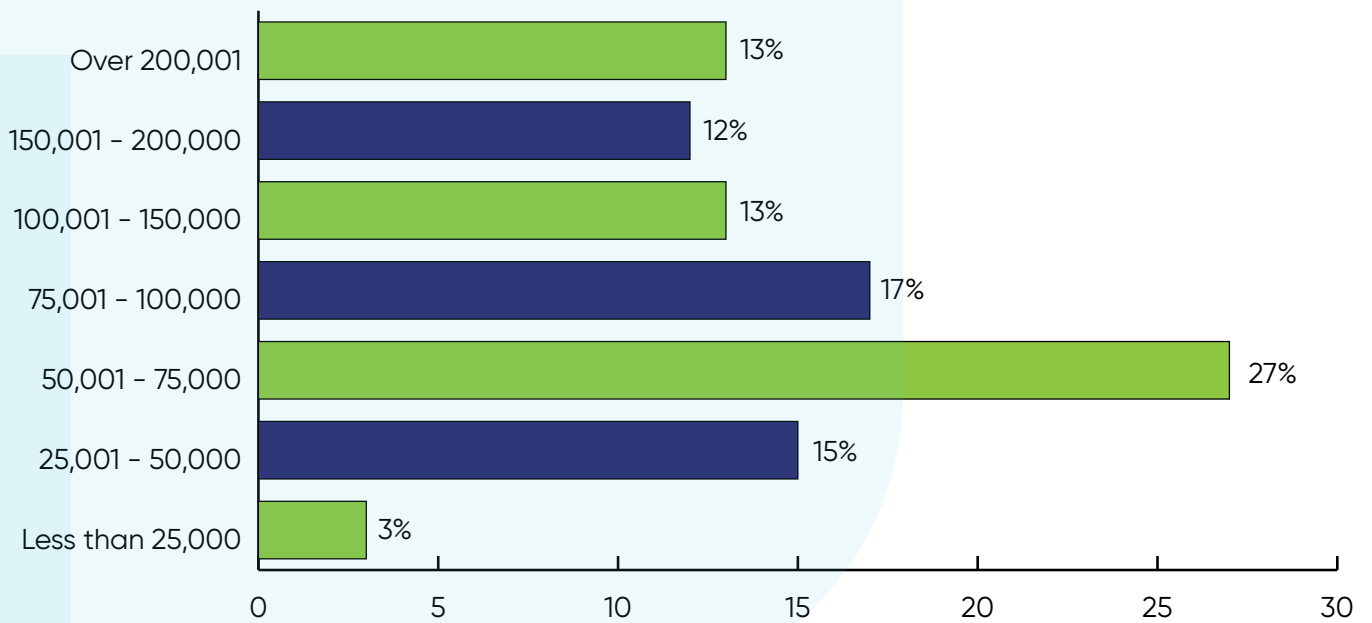
### 23. Difficulties in paying obligations?



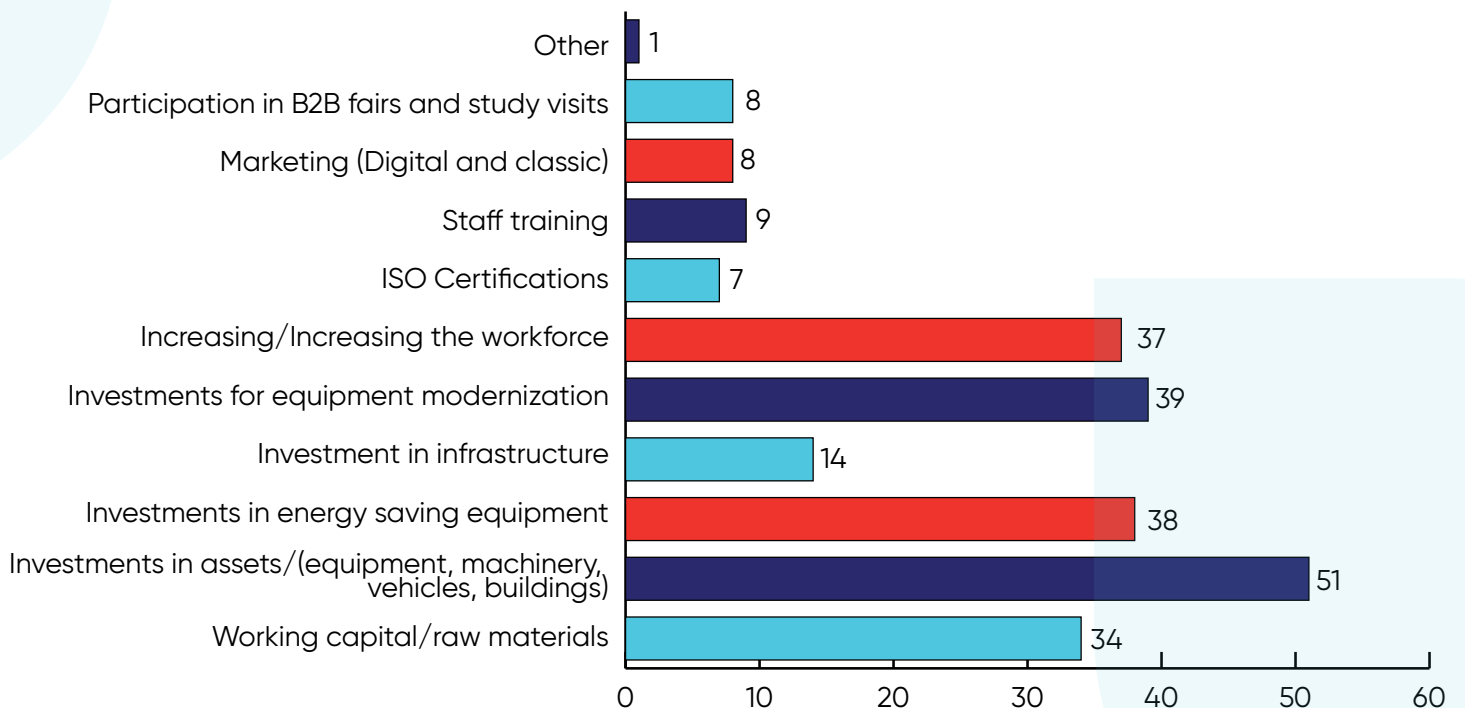
### 24. Do you need more financing?



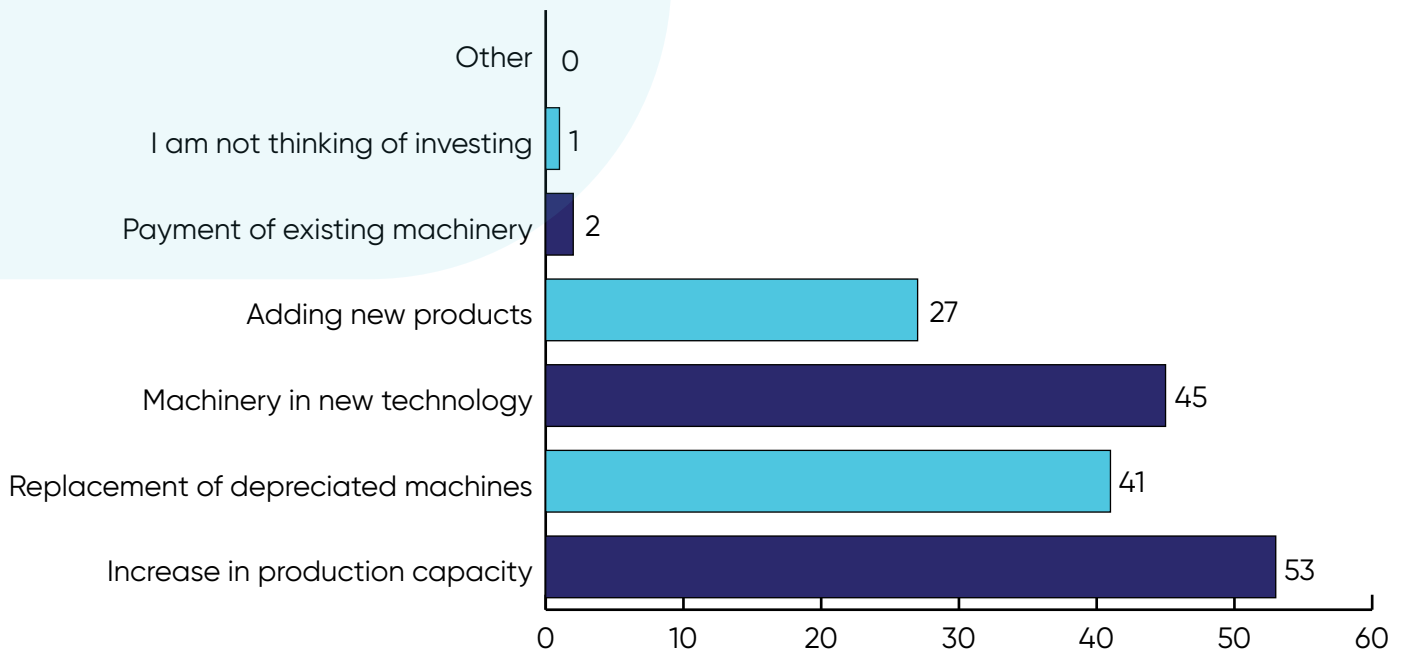
**25. What would be the value of the financing (in Euros) that you need:**



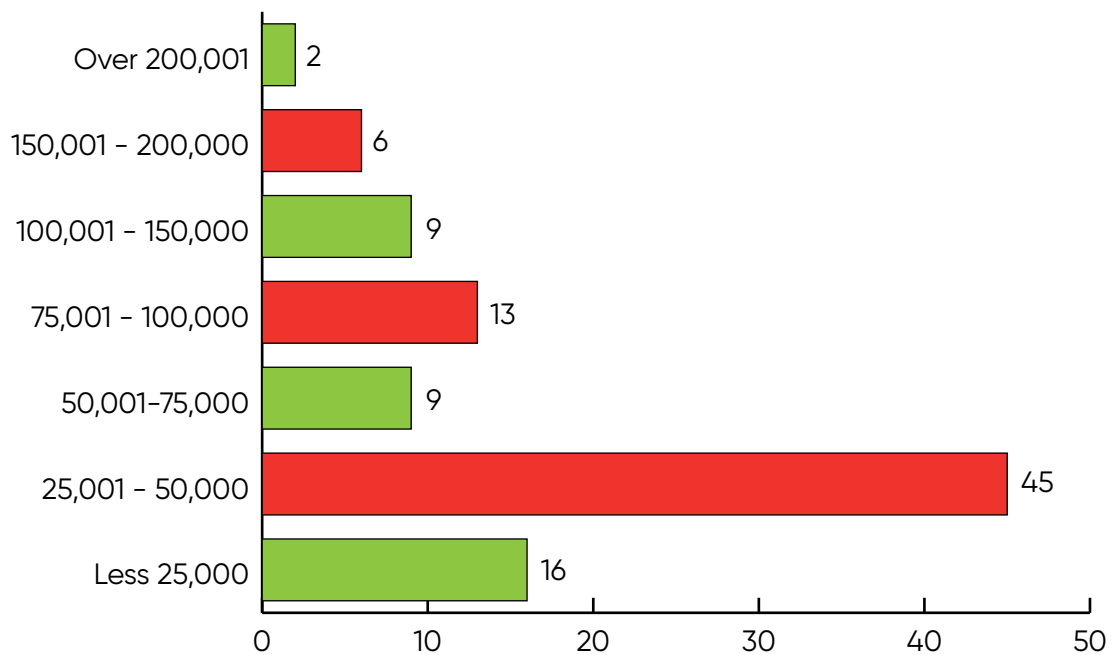
**26. What you need financing for:**



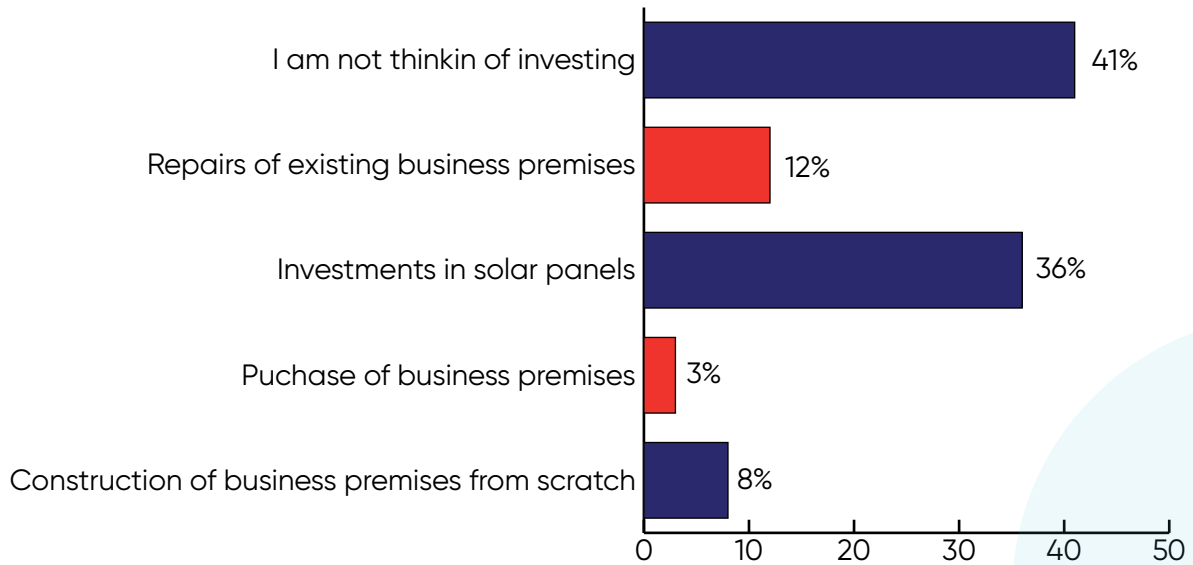
**27. If you think of investing in machinery, what is the reason/purpose:**



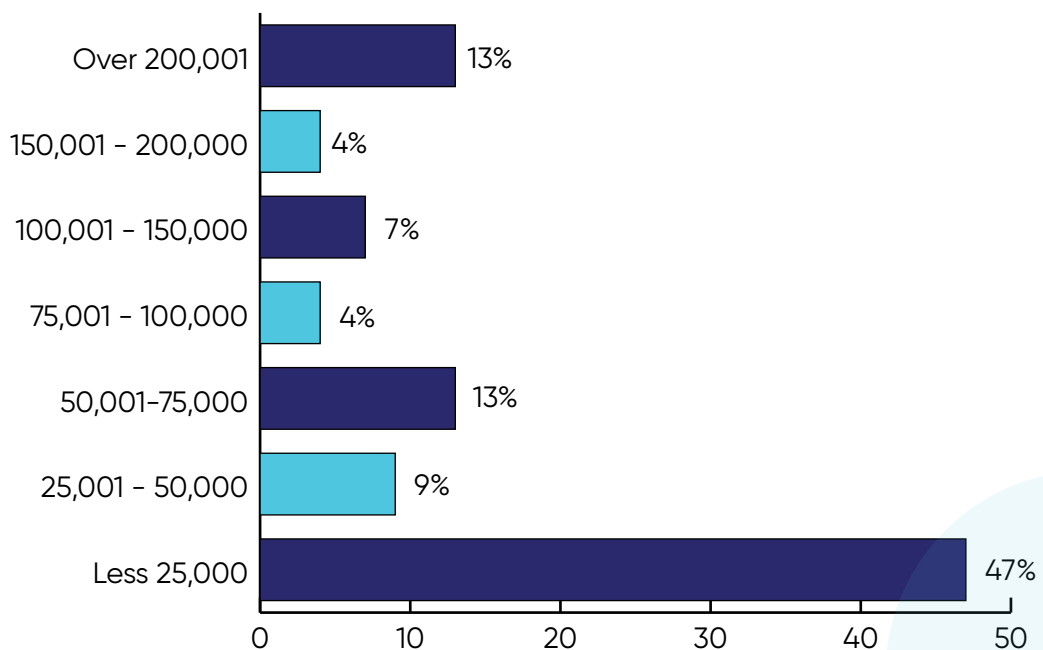
**28. What is the value of the investment (in euros) that you plan to make for machinery:**



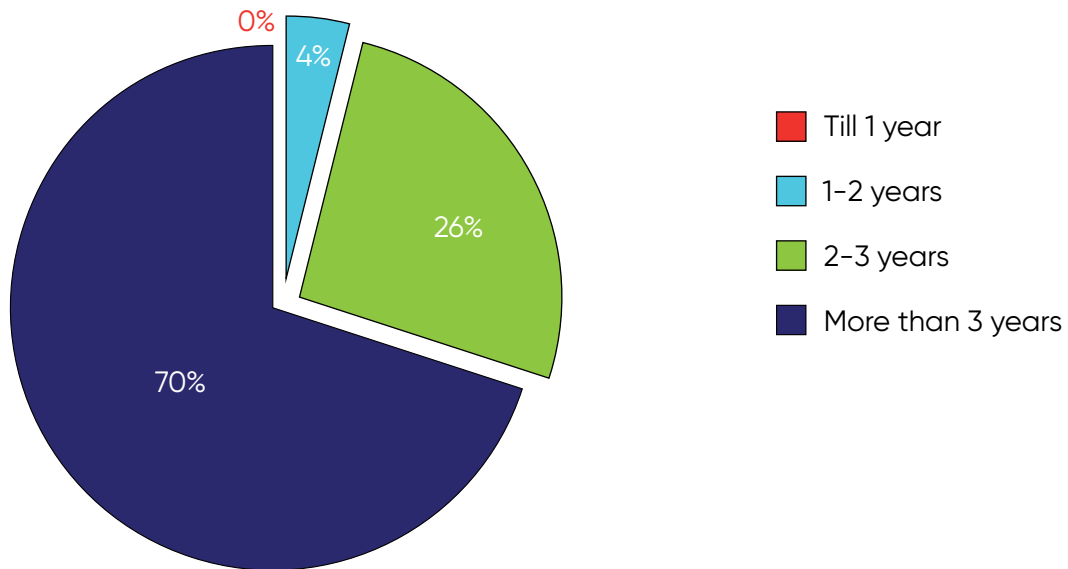
**29. If you think of investing in business premises, what is the reason/  
purpose of the investment:**



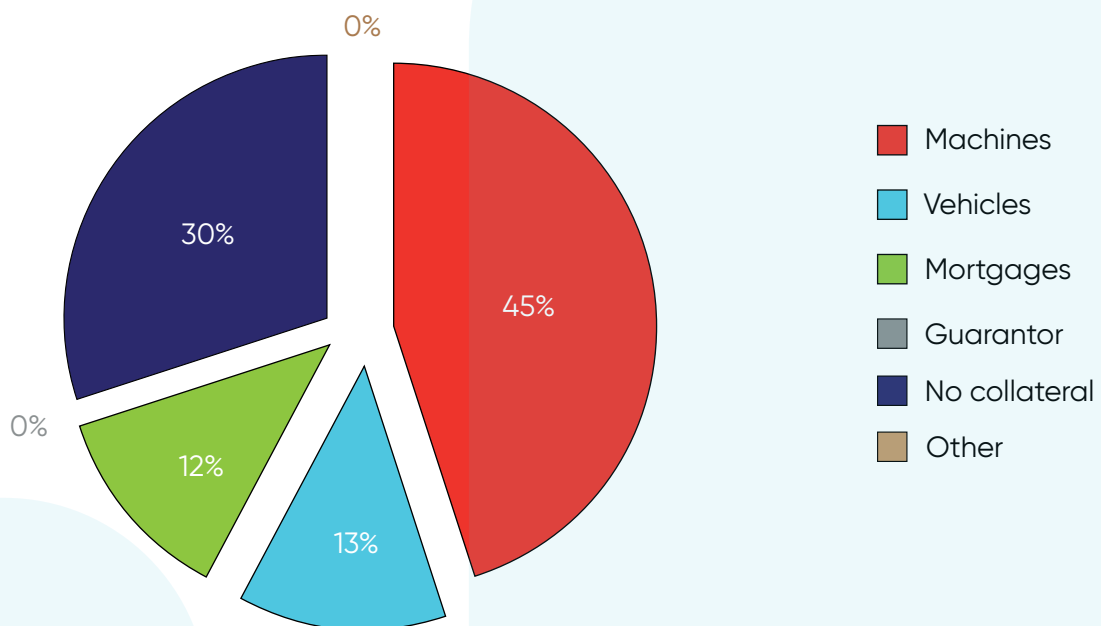
**30. How much is the investment amount (Eur) you plan for your business  
premises:**



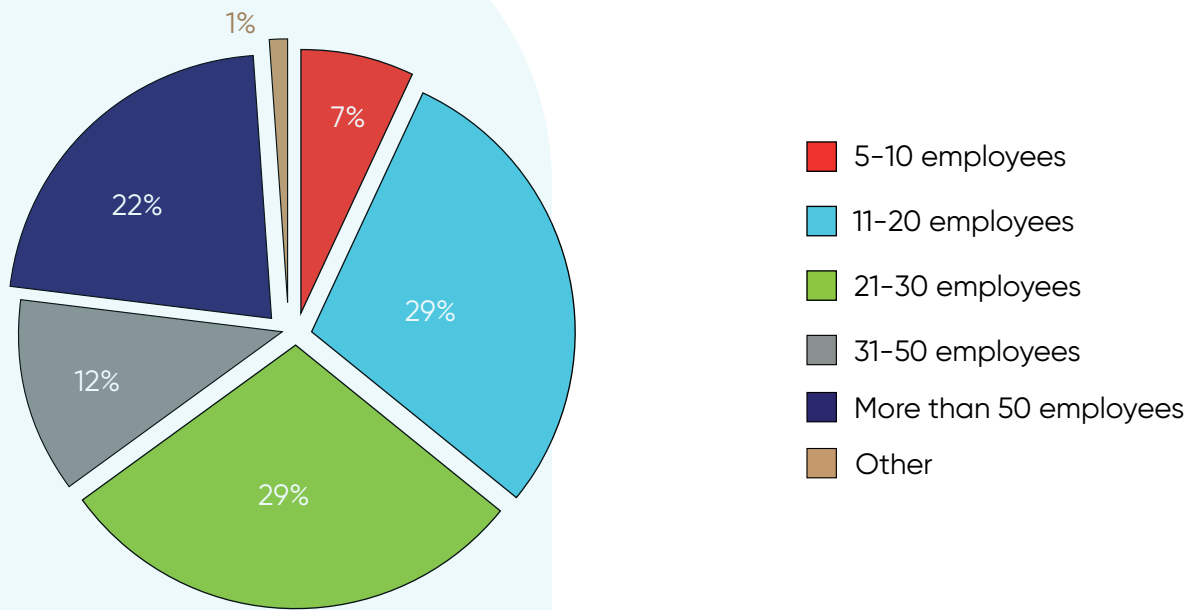
31. What is the term you need to repay the loan?



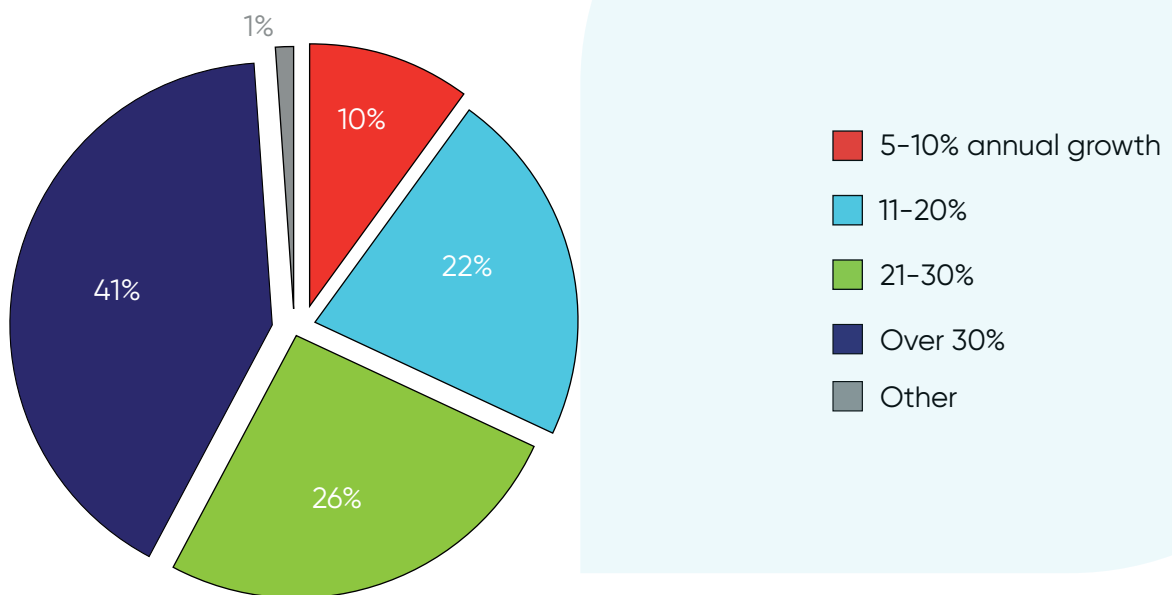
32. If you were required to provide collateral for the loan you will receive, what type of collateral can you provide:



**33. If you were to get a loan, how much do you think you would increase the number of employees if this investment is realized:**

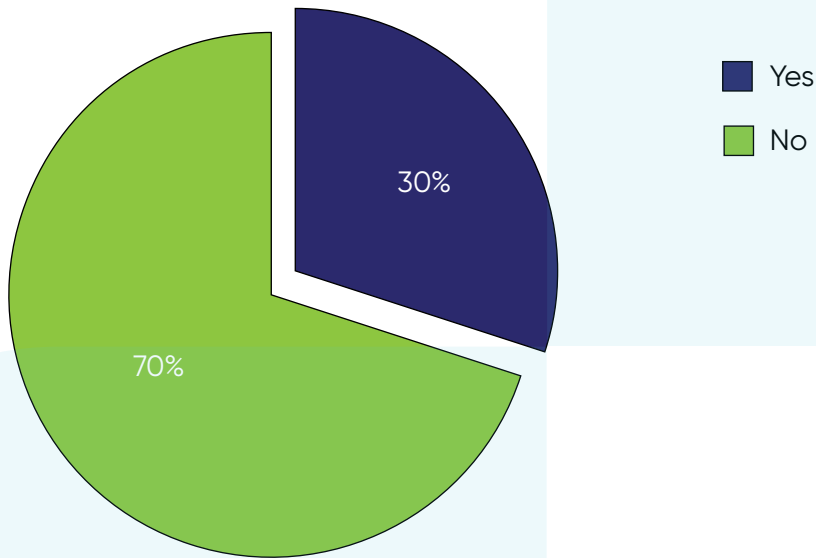


**34. How much do you think your annual turnover will increase in % if you get a financing and this investment is realized (comparing it with the current**

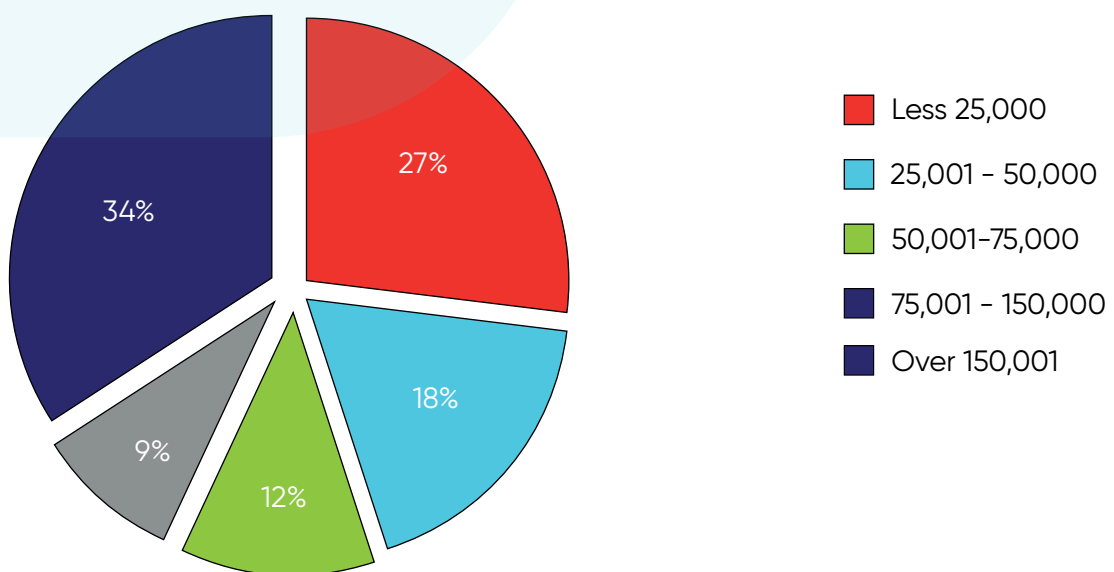




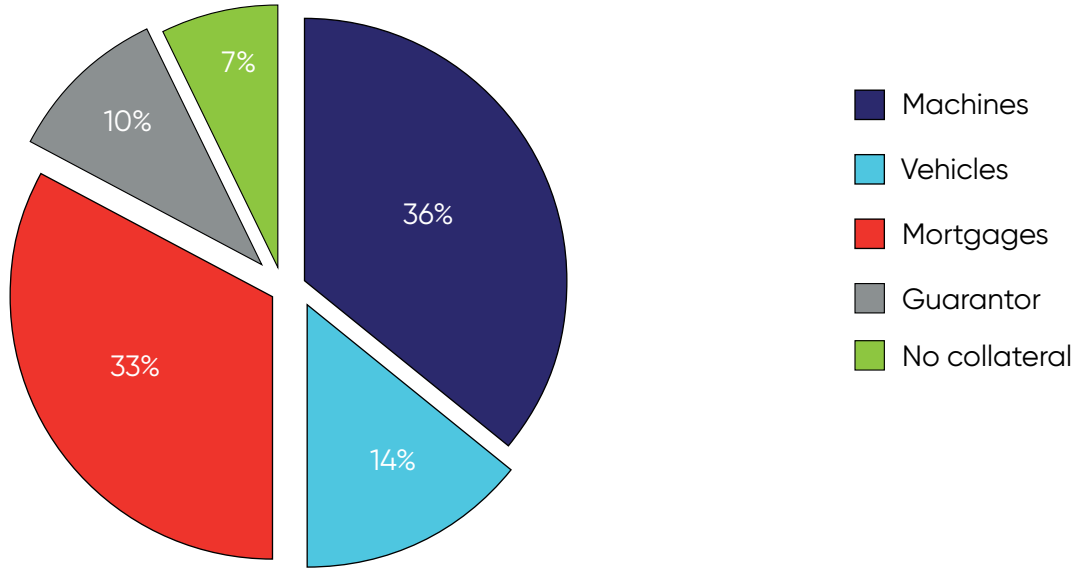
**35. Do you have an active bank loan?**



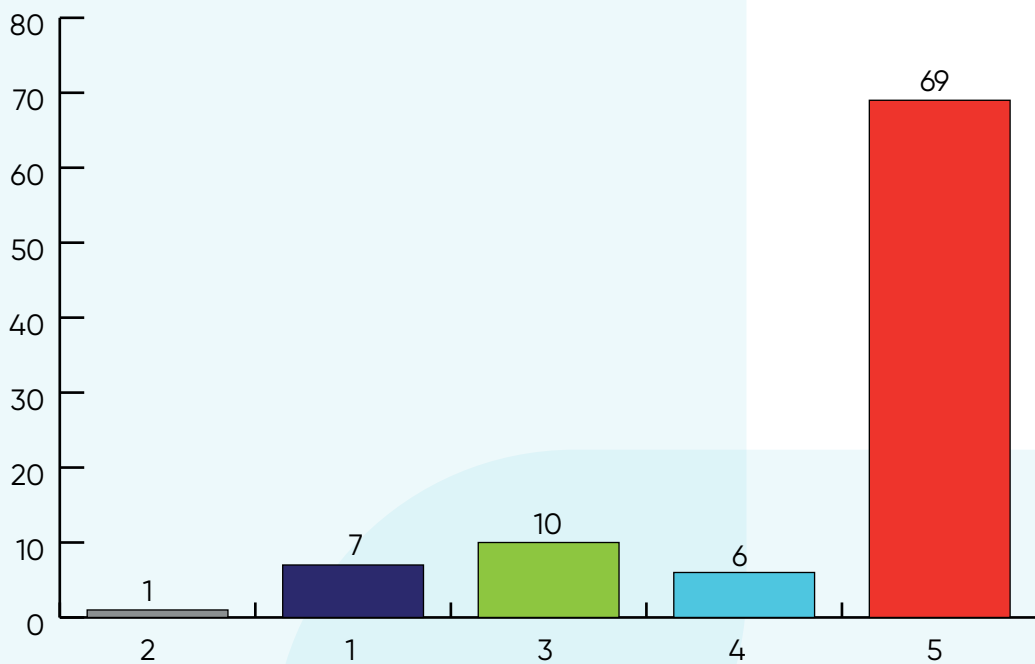
**36. How much is the amount of you bank loan?**



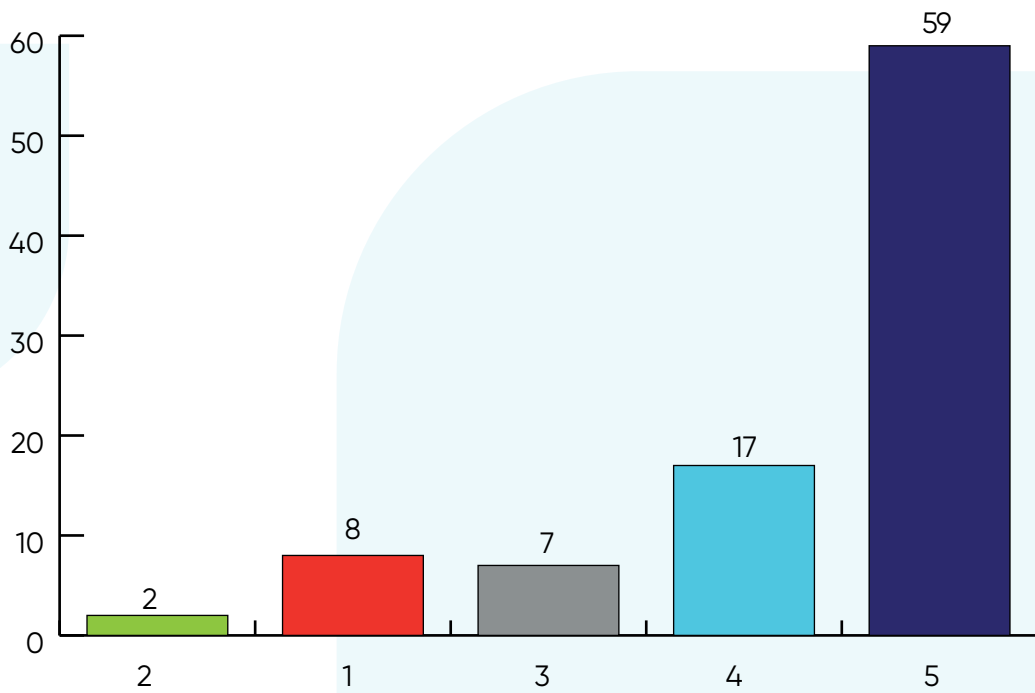
37. What is your guarantee?



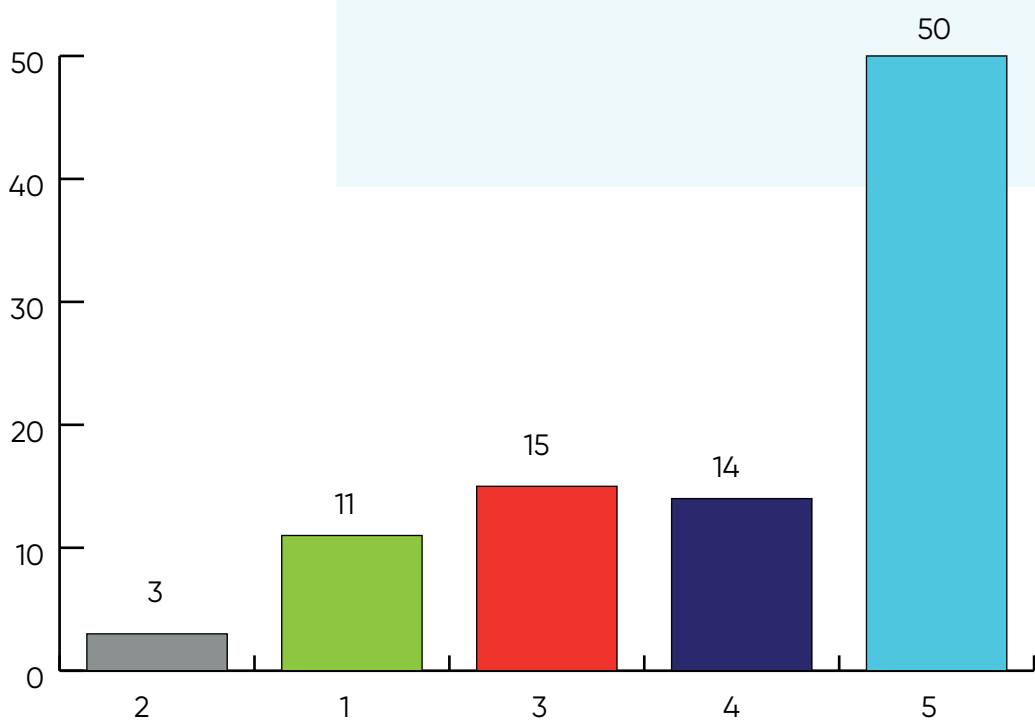
38. Importance of the interest rate when receiving a loan



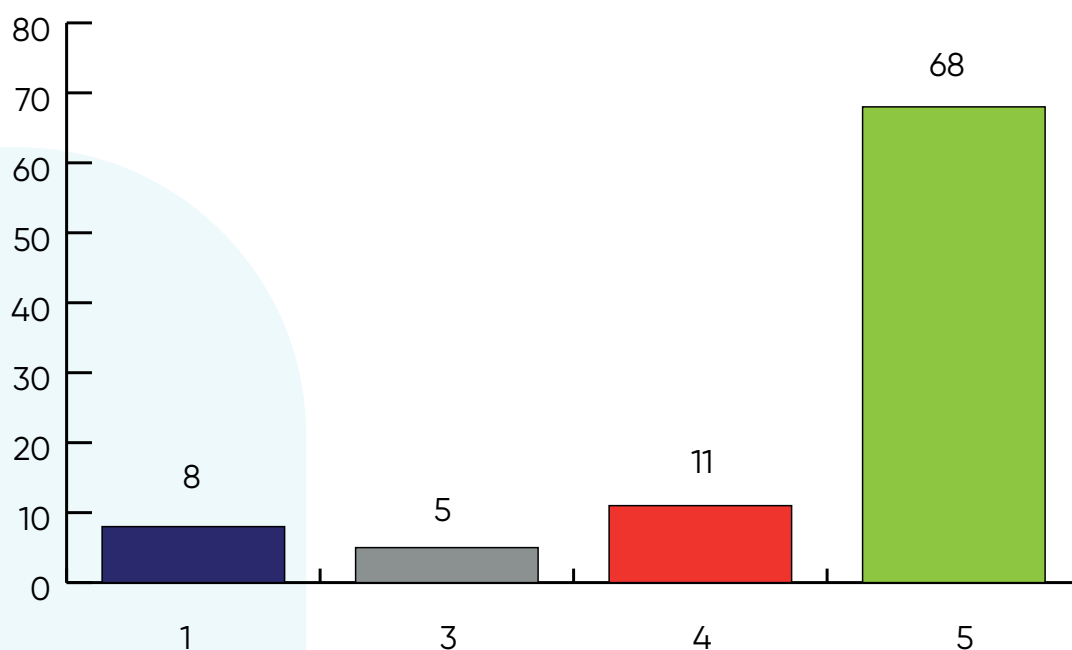
### 39. Importance of the time duration for a bank loan procedure



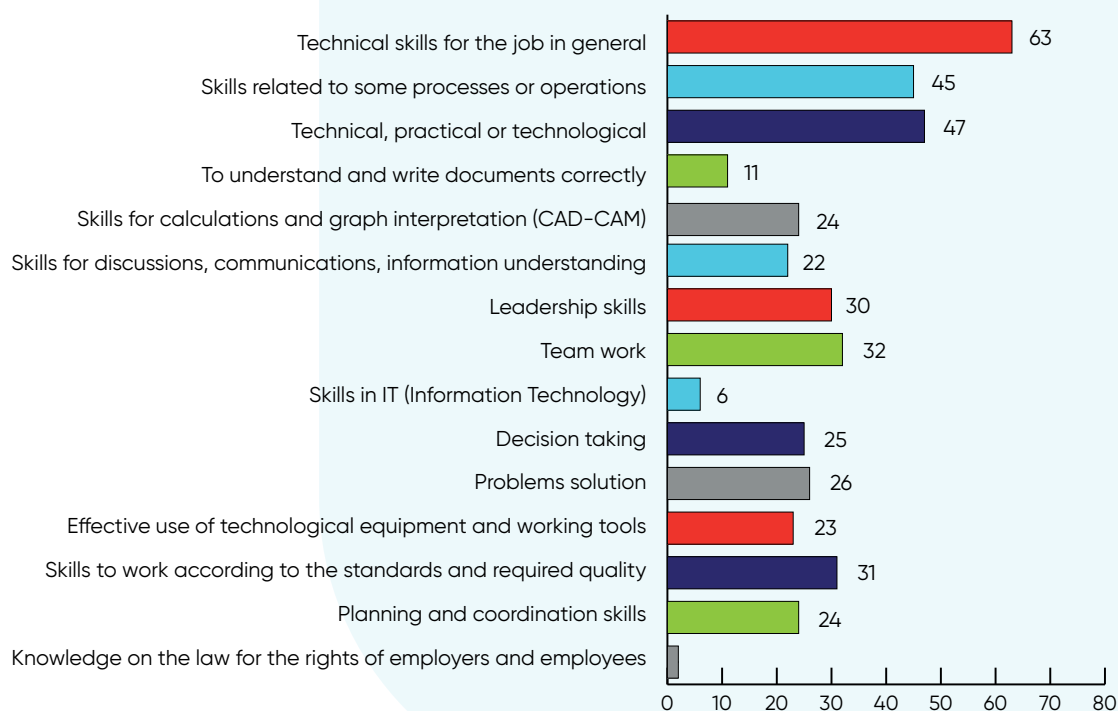
### 40. Importance of the required documentation for a bank loan procedure



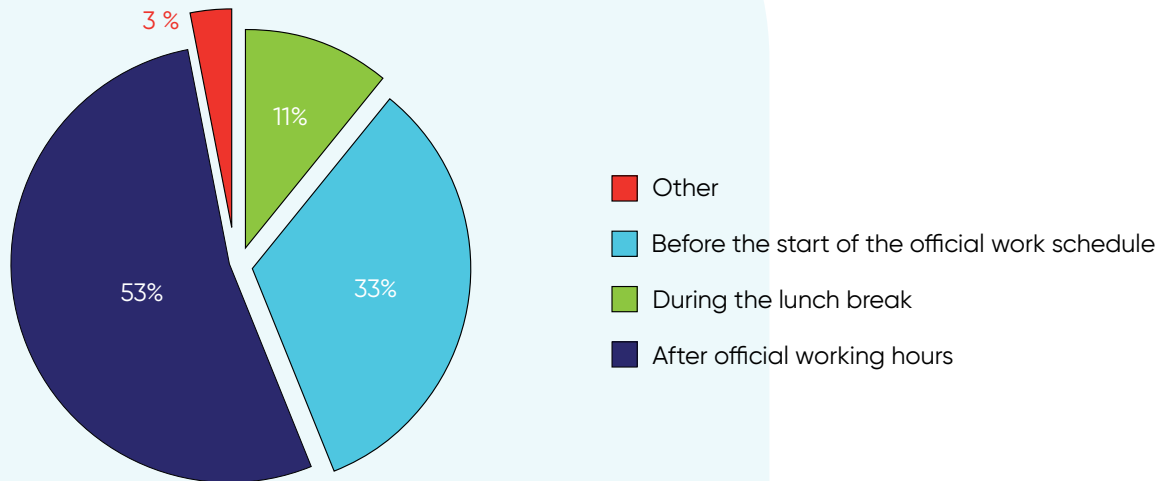
#### 41. Importance of the correctness of financing institutions



#### 42. What are the skills for which your workers need more training



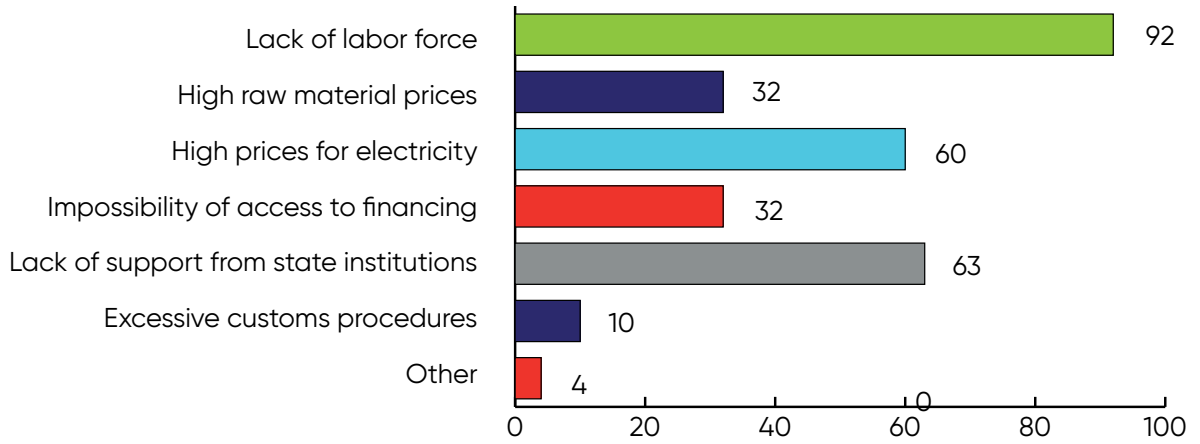
**43. At what time during the day do you think it is more appropriate to carry out a training with your staff in your business premises by an external expert**



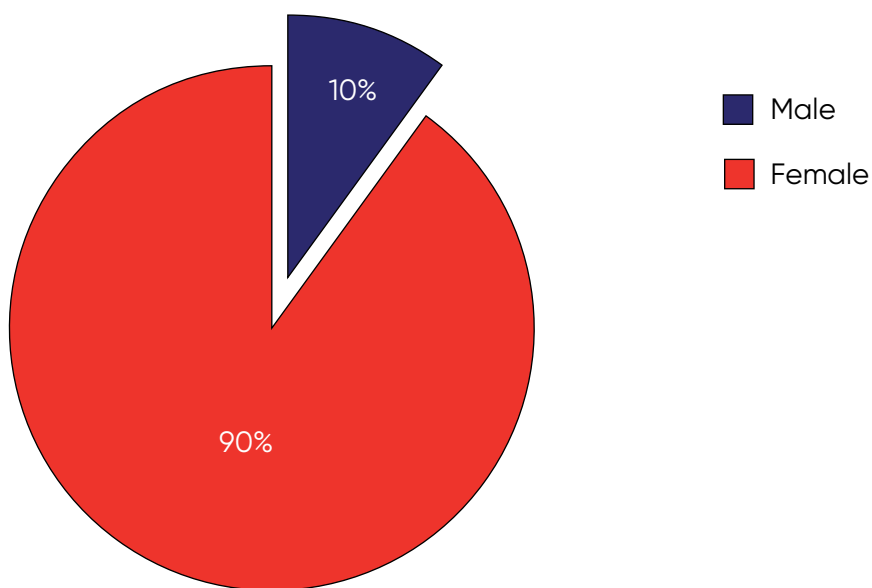
**44. Choose one or more of the options for which you as a business owner need training/technical assistance:**



**45. List/select below the problems faced by your company and the sector as a whole**

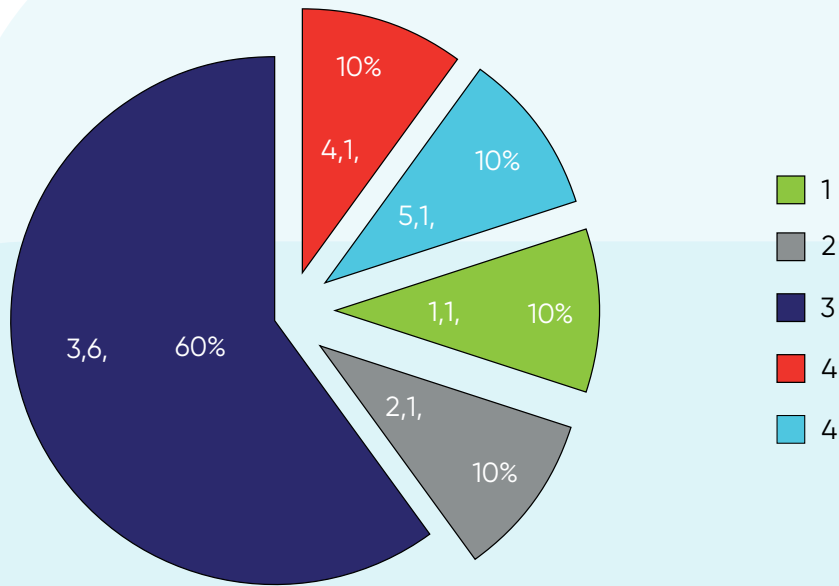


**46. Females are 90% of the total employed employees**

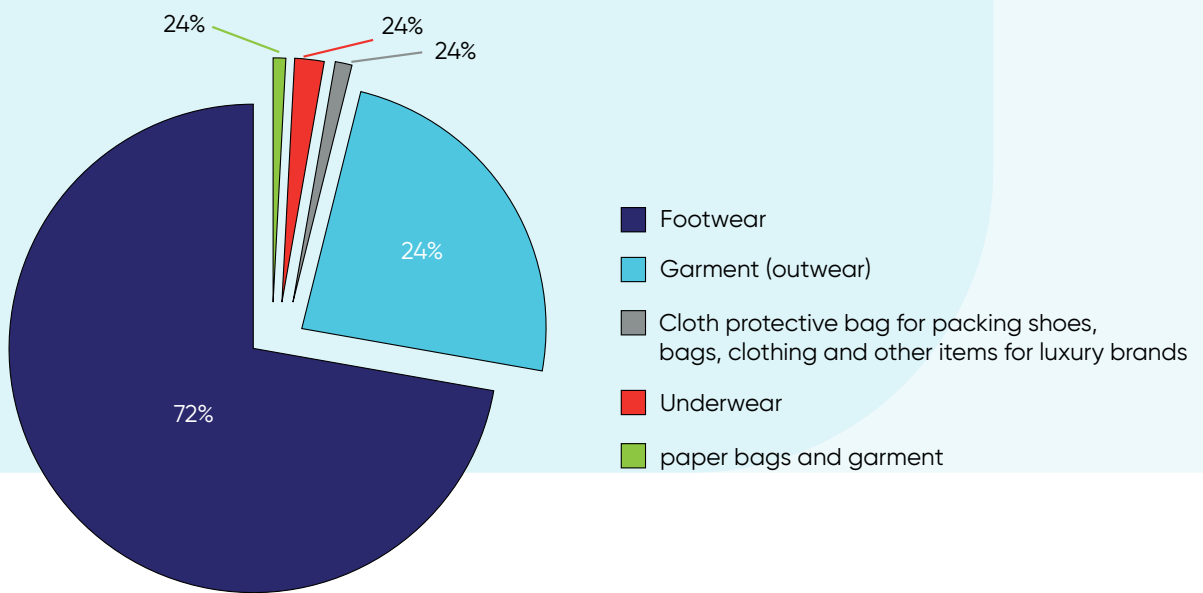




**47. Number of foreign employees hired by the companies**



**48. Typology of production**



The background of the page is a collage of sewing-related items. At the top left, there is a spool of dark thread. A measuring tape is visible in the upper middle section. A wooden handle, likely for a sewing machine, is in the lower middle. At the bottom, there is a sewing machine needle and a pair of tweezers. The items are set against a dark, textured background. The text is overlaid on a white, semi-transparent circular area in the center.

ANNEX 2

# QUESTIONNAIRE

Online questionnaire on financing and technical support needs Clothing and Footwear Sector ( Manufacturing):

On November 1, 2022, the American Government through USAID launched a support project for Albanian textile and leather businesses. The initiative aims to, for the first time in the Albanian market, create a financial product and services exclusively adapted to the needs and requirements of the Fashion industry in Albania. We invite all businesses in this sector to complete this questionnaire, which aims to identify concrete needs and ambitions! The time required to complete this questionnaire is 10–15 minutes.

## PART A: GENERAL INFORMATION

1. Enterprise name \_\_\_\_\_
2. Role/Your position in enterprise (Select)
  - Owner
  - Executive director
  - Operational director
  - Other (Specify)
3. City where your company operates (Select from list)

• Tirane	• Kamez
• Durres	• Rreshen
• Shkoder	• Ballsh
• Elbasan	• Mamurras
• Vlore	• Bajram curr
• Korce	• Erseke
• Fier	• Peqin
• Berat	• Divjake
• Lushnje	• Selenice
• Pogradec	• Bilisht
• Kavaje	• Roskovec
• Laç	• Puke
• Lezhe	• Rrogozhine
• Kukes	• Vore
• Gjirokaster	• Prenjas
• Patos	• Fushe Arez
• Kruje	• Konispol
• Kucove	
• Sarande	
• Peshkopi	
• Burrel	
• Cerrik	
• Shijak	
• Tepelene	
• Librazhd	
• Gramsh	
• Polican	
• Bulqize	
• Permet	
• Fushkruje	

4. Since when you operate in the market: \_\_\_\_\_
5. Size of your business: (Select from list: micro enterprise, small enterprise, middle enterprise, large enterprise)
- micro < 10 employees
  - small: 10-49 employees
  - middle: 50-249 employees
  - large: > 250 employees
6. Legal form of your business:
- Small business
  - SH.P.K
  - SH.A
  - Other (Specify) \_\_\_\_\_
7. Ownership of your business is:
- 7a. Albanian
- 7b. Foreign (Specify) \_\_\_\_\_
- 7c. Joint (Albanian & Foreign)
8. Owner of the business is:
- Female
- Male
9. Business premises where you work are:
- In the property
  - Hired
  - Contract if use
  - Other (Specify) \_\_\_\_\_
10. Equipment/machinery are:
- Owned by your business
  - Owned by your subcontractor/hired
  - Partly yours /partly to subcontractor
11. If machinery/equipment are owned by you:
- Purchased with my capital
  - Purchased with bank loan which is repaid
  - Purchased with bank loan which is still to repay
12. Equipment/machinery you work with are (more than one option):
- Very Old
  - Old
  - Normal
  - New
  - Very new/recent

13. Do you own vehicles for your enterprise?

- Yes
- No

14. If "YES", list what kind of vehicles you own and how many: (describe below)

\_\_\_\_\_

15. Number of employees: \_\_\_\_\_

15a. \_\_\_\_\_ females

15b. \_\_\_\_\_ males

16. Have you employed foreign workers?

- Yes
- No

17. If "yes", how many? \_\_\_\_\_

17a. \_\_\_\_\_ females

17b. \_\_\_\_\_ males

18. Production typology is:

- Garments
- Footwear
- Other \_\_\_\_\_

## PART B: FORM OF BUSINESS ACTIVITY

1. Your enterprise: (*Select from list*) (MORE THAN 1 OPTIONS):

- Produces for export
- Work for own brand
- Produces for home market
- Work with subcontracting
- Exporter and subcontractor
- Export and home market
- Subcontractor and home market
- Other \_\_\_\_\_

2. List the products you export:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

3. List products you produce for home market:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

4. List products for export and home market:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

5. Countries you export:

- Italy
- Germany
- Greece
- France
- Holland
- Hungary
- Austria
- Belgium
- America
- Other (Specify) \_\_\_\_\_

6. Countries from where you import raw materials or products (Select as many as you have):

- Itali
- Indi
- Germany
- Greece
- France
- Hungary
- Austria
- China
- Pakistan
- Albania (home suppliers)
- Other (Specify) \_\_\_\_\_

7. Type of products you import (Multirotational):

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

8. How many active contracts you have actually (number) \_\_\_\_\_

9. For how long these contracts are active (in months)

- 6 months
- 12 months
- 24 months
- 36 months
- Other (Specify) \_\_\_\_\_



10. How much is your active contracts volume (Volume/per year in Euro)

\_\_\_\_\_

11. Do you plan to expand in new markets:

Yes

No

12. If "YES" which markets you plan to expand your business, list (many options possibly):

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

13. Do you plan for diversification of your production:

Yes

No

14. If "YES" what products, you plan to add (many options is possible):

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

### PART C: NEEDS FOR FINANCIAL SUPPORT

1. How much is the annual selling volume (Euro):

- < 200,000
- 200,001 – 300,000
- 300,001 – 500,000
- 500,001– 1,000,000
- Over 1,000,000

2. If you have difficulties in paying the obligations:

Yes

No

3. What kind of difficulties you have:

- a) Tax obligations (taxes, social insurance)
- b) Employees wages
- c) Payment for the suppliers
- d) Loans payment to banks/microfinancing institutions
- e) Debts to third parties (private)
- f) Other \_\_\_\_\_
- g) No difficulties

4. Do you need financing?

Yes

No

5. If "YES", how much is the amount of the investment you plan( euro):

- < 25,000
- 25,001-50,000
- 50,001-75,000
- 75,001-100,000
- 100,001 – 150,000
- 150,001 – 200,000
- over 200,000

6. If "YES", what do you need financing for (multiple choice is possible):

- Working capital/raw material
- Investment in assets (equipment, machinery, vehicles, building)
- Investment in equipment for energy saving
- Investment in infrastructure
- Investment in upgrading of equipment
- Increase of labor force
- ISO Certification
- Staff training
- Marketing (digital and traditional)
- Participation in B2B, fairs, study visits

7. If you plan to invest in machinery, what is the main reason :

- Increase of production capacity
- Replacement of the depreciated machinery
- New technology
- For new products
- Payment of the existing machinery
- Other
- No plans for investment in machinery

8. If you answer "YES", how much is the amount of the investment (EUR) you plan:

- < 25,000
- 25,001-50,000
- 50,001-75,000
- 75,001-100,000
- 100,001 – 150,000
- 150,001 – 200,000
- over 200,000

9. If you plan to invest in your business premises, what is the main reason for that:

- a) Construction /New building
- b) Purchase of new premises /Building
- c) Solar panels
- d) Reconstruction of premises /existing building
- e) No plans

10. Regarding to the previous question, how much is the financial support you need (Eur):

- < 25,000
- 25,001-50,000
- 50,001-75,000
- 75,001-100,000
- 100,001 – 150,000
- 150,001 - 200,000
- over 200,000

11. How long is the time you need for repayment of the financial support/loan:

- Up to 1 year
- 1 – 2 years
- 2-3 years
- Over 3 years

12. If you were required a collateral, what type of collateral you will put:

- Machinery
- Transport vehicles
- Mortgages
- Guarantor
- Other (Specify) \_\_\_\_\_
- No collateral

13. How much you plan to increase the number of employees if this financial funding/investment will be done?:

- 5-10
- 11-20
- 21-30
- 31-50
- Over 50
- Other (Comment) \_\_\_\_\_

14. How much you plan to increase the annual turnover % if this investment will be done (comparing to the annual actual volume you have) (only 1 option):

- 5-10%
- 11-20%
- 21-30%
- Over 30%
- Other (comment) \_\_\_\_\_

15. Please select 1-5 (1- very low ; 5- very important) for the criteria of a financial support:

- How important is interest rate for a financial support?

1  2  3  4  5

- How important is funding time?

1  2  3  4  5

- How important is the lack of collateral for a financial funding?

1  2  3  4  5

- How will you evaluate the funding procedure with minimum documents?

1  2  3  4  5

- Correctness of the lending institution?

1  2  3  4  5

16. Do you actually have financial support/funding from a financial institution?

Yes

No

17. If "YES" how much is the financial amount (EUR) you received?:

- < 25,000
- 25,001-50,000
- 50,001-75,000
- 75,001-100,000
- 100,001 – 150,000
- 150,001 - 200,000
- Over 200,000

18. What is the collateral you put for this funding (more than one option):

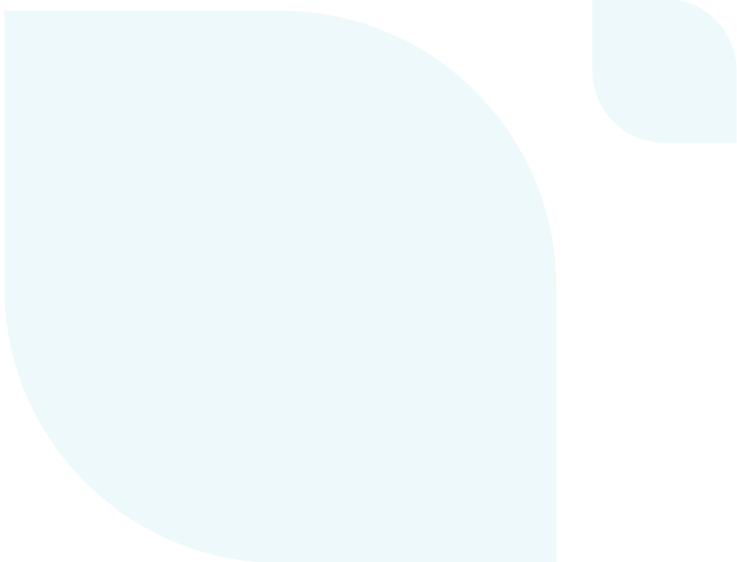
- Machinery
- Transport vehicles
- Mortgages
- Guarantor
- Other (Specify) \_\_\_\_\_
- No collateral

## PART D: NEED FOR TECHNICAL ASSISTANCE / TRAININGS

1. What are the skills that your workers need for trainings (possible multiple choice)
  - Technical skills for the job in general
  - Skills related to some processes or operations
  - Technical, practical or technological
  - To understand and write documents correctly
  - Skills for calculations and graph interpretation (CAD-CAM)
  - Skills for discussions, communications, information understanding)
  - Leadership skills
  - Teamwork
  - Skills in IT (Information technology)
  - Decision taking
  - Problems solution
  - Effective use of technological equipment and working tools
  - Skills to work according to the standards and required quality
  - Planning and coordination skills
  - Knowledge on the law for the rights of employers and employees
  - Other skills (Specify) \_\_\_\_\_
2. When do you think is the most appropriate time for a training with an external expert for your staff:
  - Before the official start of the work time
  - During lunch break
  - After the official time of the work day
  - Other (Specify) \_\_\_\_\_
3. List the problematics that your managerial staff need for training/technical assistance:
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_
4. Select one or more options that you as a business owner need a training/technical assistance:
  - How to increase the sector financing
  - Unified strategy
  - How to create a better visibility for the sector data
  - How to consolidate the association role
  - How to better communicate the sector image in market?
  - How to be efficient in the production line
  - Importance of the financial data of the enterprise for a better access in financing
  - How to be more competitive in the international market?
  - How to diversify our products?
  - Other (Specify) \_\_\_\_\_

5. List / select the problems that your enterprise face in general:

- Lack of labor force
- High prices for raw materials
- High energy prices
- Lack of possibility for financial access
- Lack of support from the government agencies
- Long customs procedures
- Other (Specify) \_\_\_\_\_





**"For the first time** in Albania, a financed product, dedicated for **Textile & Leather** sector"

This project was made possible through the generous support of the American people through the U.S. Agency for International Development (USAID) under the USAID CATALYZE Engines of Growth project.



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