ariana cela

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Sat 6/20/2020 11:03 PM

Cc: Arjan Kadareja

Dear all,

As indicated in the last week session, for the final exam you should prepare a powerpoint presentation on one of the readings sent last week, as well on one of the two topics professor Arjan suggested as below:

1. Considering the Optimum Currency Area Theory criteria, would it be appropriate for the Albanian economy to join the Euro Area?
2. The Optimum Currency Area Theory criteria versus the Maastricht criteria – *A comparison*

Please reply all to this message indicating to all which case you will be working on.

Good luck, we will be looking forward to good presentations,

Bests

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The Role of SMEs in the European Entrepreneurship Policy

By: Arlinda Kurti

Outline

- Introduction
- Objectives and actions
- SMEs’ access to markets
- Cutting red tape
- “Think Small First” A “Small Business Act” for Europe

- Commission’s Review of “Small Business Act” for Europe

- Need for further action

Introduction

- Small and medium-sized enterprises (SMEs), defined as having fewer than 250 employees make up a large part of Europe's economy: there are some 21 million of them in the European Union, providing around 75 million jobs and accounting for 99% of all enterprises. SMEs are a key part of European industry, they contribute up to appr. 80% of employment in some industrial sectors, such as textiles, construction or furniture. SME are a major source of entrepreneurial skills, innovation and contribute to economic and social cohesion

- Based on the new Partnership for Growth and Employment, in 2005 European Commission decided to place SMEs high on political agenda and initiated a new start for SME policy on community and Member States levels.
- The policies emphasized that SMEs are indispensable for the delivery of stronger, lasting growth and more and better jobs and for revitalizing the European economy

Objectives and Actions

- Actions were based on the Lisbon Community Programme.

- The success of the new SME policy depends primarily on action by Member States as they retain the main competence in enterprise policy, while the Community policy framework should provide support and complement their efforts .

1. In addition EU created a policy framework for SMEs including instruments such as:

- European Charter for Small Enterprises
- Entrepreneurship Action Plan

2. European Union offered support to SMEs through Community programmes like the Multiannual Programme for Enterprise and Entrepreneurship and the Competitiveness and Innovation framework Programme , combined with additional sources.

3. Structural funds

4. Promoting entrepreneurship

5. Support for activities to reduce the burden of risk linked to entrepreneurship

6. The EC promised working closely with national authorities to address those areas where the needs of women entrepreneurs are still not being sufficiently met

SMEs' access to markets

- The Commission expressed its will to propose new initiatives for the Euro Info Centre (EIC) network to encourage SME participation in business cooperation and matchmaking events, especially in border region.

- the Commission seeked to reduce the obstacles facing European exporters and to promote greater access to international markets, and encourage SMEs to conclude joint venture agreements with enterprises in developing countries.

Cutting red tape

- What should be granted to SMEs:
- Better regulation
- Reducing complexity and improving information
- Revising and simplifying the various State aid rules and to encourage risk-taking through a more flexible approach for aid directed at SMEs

“Think Small First” A “Small Business Act” for Europe

- The phrase is based on the EU modern SME policy from 2005-2007.

- There are set 10 principles for the European Union and for the Member States turning SME friendly policy as a mainstream.

- Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
- II. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
- III. Design rules according to the “Think Small First” principle
- IV. Make public administrations responsive to SMEs’ needs
- V. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs

- VI. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
- VII. Help SMEs to benefit more from the opportunities offered by the Single Market
- VIII. Promote the upgrading of skills in SMEs and all forms of innovation
- IX. Enable SMEs to turn environmental challenges into opportunities
- X. Encourage and support SMEs to benefit from the growth of markets.

- It seems an overexegeration to expect SMEs to stand against the uncertainty in the globalised world of today. The strength of SMEs over Europe is uneven, for historical reasons the majority of Central Eastern European SMEs do not belong to this group. They can be seen as more victims of globalization then possible balance makers. To be able to became providers of wellbeing on local and regional levels, SMEs have to be protected from the pressure of multinational firms. SMEs are providers of employment opportunities, but it is jeopardized by globalization because sometimes free market access destroys more jobs than it creates.

- In Hungary there is continuous debate on the level of VAT rates. The general rate is 27% which is the highest in Europe irrespective of the size of the companies.

- Average SME owners do not simply know about this initiative. Municipalities and local authorities together with the SME organizations could support this idea. From regional development point of view we could have lots of advantages by implementing this opportunity

- In the fourth part of the document we can find the ways how EU Commission wants to turn the above mentioned principles into policy action.

- “The EU and Member States should create an environment within which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded. They need to care for future entrepreneurs better, in particular by fostering entrepreneurial interest and talent, particularly among young people and women, and by simplifying the conditions for business transfers “.

- However, referring to the 2007 Flash Euro barometer on entrepreneurial mindsets which shows that 45% of Europeans would prefer to be self-employed, compared to 61% in the US.

- The document is created to make people more aware that self-employment is a potentially attractive career option and be provided with the necessary skills to turn their ambitions into successful ventures.

- The document also calls the attention of entrepreneurs to the opportunity to contribute to a better business environment by stepping up their cooperation and networking, by exploiting more fully the potential of SMEs, and especially family enterprises, as important training grounds for entrepreneurship and by acting in a socially responsible way.

- Also, the Member States should ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.

- The EU and Member States should make public administrations responsive to SME needs, making life as simple as possible for SMEs, notably by promoting e-government and one-stop-shop solutions.

- The EU and Member States should facilitate SMEs' access to finance, in particular to risk capital, micro-credit and mezzanine finance and develop a legal and business environment supportive to timely payment in commercial transactions.

- The EU and Member States should support and encourage SMEs to benefit from the growth of markets outside the EU, in particular through market-specific support and business training activities.

Commission's Review of "Small Business Act" for Europe

- In its review EU Commission presents an overview of progress made in the first two years of the SBA, and sets out new actions to respond to challenges resulting from the economic crisis.

- Despite the steady progress, more needs to be done.

- EU's main focus was, and remains, structured around three areas: ensuring access to finance, taking full advantage of the Single Market and smart regulation.

Need for further action

- A set of new actions aiming to respond to the challenges resulting from the economic crisis, and further developing existing actions in line with the Europe 2020 strategy, in the following areas:

➢ making smart regulation a reality for European SMEs,

➢ paying specific attention to SMEs' financing needs,

➢ taking a broad-based approach to enhancing market access for SMEs,

➢ helping SMEs to contribute to a resource-efficient economy, and

➢ promoting entrepreneurship, job creation and inclusive growth

Thank you !

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The Optimum Currency Area Theory criteria versus the Maastricht criteria

By: Arlinda Kurti

Optimum Currency Area Theory

- The optimum currency area (OCA) theory tries to answer an almost prohibitively difficult question: what is the optimal number of currencies to be used in one region.

- The OCA theory serves as an approach for thinking about monetary integration and provides an explanation for the recent monetary integration processes in Europe.

History

Theory of the optimum currency areas was fully developed during the debates of the benefits and the costs of the particular exchange rates regimes after the World War II.

That time, most of the countries fixed their currency to the US Dollar. The US Dollar was convertible at a fixed rate into gold.

- Friedman’s theory:
- As it is commonly observed, the country’s prices and wages are relatively rigid and factors are immobile among the countries. As a result, under the negative demand or supply shock the only instrument to avoid higher inflation or unemployment is the change in the flexible exchange rate.

- It is also worth to notice that Friedman did not discourage using the fixed exchange rate regime at all. If there is little governmental interference to the economy or some specific relationship among the countries, the fixed exchange rate regime may be appropriate

Mundell's theory

- Eight years after Friedman, Mundell published the first article on the optimum currency area (OCA) defining optimum currency area as an area with internal factor mobility and external factor immobility.

- Country A and B example

Costs and benefits

- <u>Costs</u>

➢ The loss of power to affect a national money supply

➢ Fiscal policy

➢ Loss of Seignorage

➢ Risk-averse households and firms would gain welfare if one of the sources of uncertainty in exchange rates were eliminated

- **Benefits:**

➢ Elimination of exchanging one currency for another

➢ The optimum currency area promotes specialization in production and expanded flow of trade and investments among the member countries.

➢ The whole region or area having a common currency or fixed exchange rate is treated as a single large market

➢ Eliminate crisis of labor mobility

- Currency convenience
- Price comparability
- Cross border investment

Transition Gains

- *Inflation Discipline*
- *Exchange Rate Discipline*
- *Lender of Last Resort*
- *Expertise*
- *Political Union*

Current challenge

- The first decade of the EMU has been a clear success. But it is about to be challenged by more difficult conditions: a financial crisis and sharply declining economic activity on a scale that exceeds anything that Europe experienced in the past decade.

- Not all EMU countries will be affected equally by the evolution of the European economy or by the policies of the ECB.

- In short, the next few years will be a very challenging time for the ECB and for the European political process.

Maastricht criteria

- Convergence criteria were put in place to measure progress in countries' preparedness to adopt the euro, and are defined as a set of macroeconomic indicators, which focus on:

➢ Price stability

➢ Sound public finances, to ensure they are sustainable

➢ Exchange-rate stability, to demonstrate that a Member State can manage its economy without recourse to excessive currency fluctuations

➢ Long-term interest rates, to assess the durability of the convergence

What is measured:	Price stability	Sound and sustainable public finances	Durability of convergence	Exchange rate stability
How it is measured:	Harmonised consumer price inflation	Government deficit and debt	Long-term interest rate	Exchange rate developments in ERM II
Convergence criteria:	A price performance that is sustainable and average inflation not more than 1.5 percentage points above the rate of the three best performing Member States	Not under excessive deficit procedure at the time of examination	Not more than 2 percentage points above the rate of the three best performing Member States in terms of price stability	Participation in ERM II for at least 2 years without severe tensions, in particular without devaluing against the euro

- The Treaty also calls for an examination of other factors relevant to economic integration and convergence. These additional factors include the integration of markets and the development of the balance of payments. Their assessment is also seen as an important indication of whether the integration of a Member State into the euro area would proceed smoothly.

- According to the Treaty, at least once every two years, or at the request of a Member State with a derogation, the Commission and the European Central Bank assess the progress made by the euro-area candidate countries and publish their conclusions in respective convergence reports.

- In order to be effective rules for monetary and fiscal stability, the Maastricht criteria must operate within an environment characterized by economic homogeneity, not by internal or external economic disparities and disequilibria. Such an environment satisfies the main conditions for an optimum currency area.

- The Maastricht criteria, which are assumed to sustain the European Union in the future, specify in two separate protocols five conditions by which a country is admitted to the union:

- • an inflation rate no more than 1.5 percentage points above the average of
- the three countries with the lowest inflation rates
- • nominal long-term interest rates not exceeding by more than 2 percentage
- points those for the three countries with the lowest inflation rates
- • no exchange rate realignment for at least two years
- • a government budget deficit not in excess of 3 percent of each country's
- GDP
- • a gross debt to GDP ratio that does not exceed 60 percent

Is Europe an OCA

- When checking the variance of the wages over time, one deduces that some single member states have reacted to certain macroeconomic shocks. On the other side, there no jointly effects are found in the results. Concluding, one can say that the EU is on its way in becoming an OCA, but it still has too many flaws in its system regarding labor flexibility to be called an OCA. This is because the EU failed to find a system in which the initial fixed effects can be covered or used to help member countries. Right now, only sole reactions from countries were to be found and no jointly ones. Thus, Europe remains further than the currency unions of North America from the ideal of an optimum currency area.
-

Thank you!

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Incentivising Structural Reforms in Europe?

A Blueprint for the European Commission's Reform Support Programme

By: Arlinda Kurti

Proposal of new reforms

- In December 2017, the European Commission proposed a Reform Support Programme in its roadmap for further institutional reforms in the Economic and Monetary Union.

- Anchored in the upcoming Multiannual Financial Framework (MFF) for the period 2021-2027, the Reform Support Programme would provide fi nancial and technical support for Member States pursuing growth-enhancing structural reforms

Rationale and potential adverse effects of incentivising structural reforms

- Why wouldn't EU Member States pursue reforms that are in their own interest?
- Timing- economic costs may arise immediately, benefits may take longer to materialize as the economy gradually adjusts to the reform
- Costs and benefits- gains might be widely distributed across the population, whereas a smaller group may incur significant losses and garner higher visibility than the reform beneficiaries.

The European Commission's proposal for the Reform Support Programme

1. The reform delivery tool, a financial support instrument for incentivising reforms

2. The technical support instrument as a follow up to the Commission's Structural Reform Support Programme

3. The convergence facility to support structural reforms in non-euro area Member States and to prepare them for future membership in the euro area.

The European Commission's proposal for the Reform Support Programme

- These instruments shall be established as part of the 2021-2027 MFF and encompass a total volume of 25 billion euro.

- With an intended volume of 22 billion euro, the reform delivery tool constitutes the largest instrument of the Reform Support Programme.

- The amount that a Member State may receive is proportional to population size and is not linked to the costs of the reform.

Assessment of the reform delivery tool

- Some provisions in the Commission's proposal raise skepticism:

1. First, it is questionable whether the reform delivery tool should be equipped with supplementary budgetary resources in addition to the existing European Structural and Investment (ESI) Funds.

It would be conceivable to reallocate a share of the 270 billion euro that has not been retrieved from ESI funds to the reform delivery tool in the recent years.

Assessment of the reform delivery tool

- 2. Second, if the proposed reform complies with the Commission's key criteria, the current proposal allocates funding based on population size, irrespective of the scope and the cost of the reform.

Assessment of the reform delivery tool

- 3. Third, it would be advantageous to disperse funds not only on the condition of the implementation of the agreed reforms, but also on the achievement of convergence targets in the medium run.
- This would incentivise governments to consider the reform in isolation as well as to enact general economic, fiscal and social policies that complement the EU-funded convergence strategies.

Financial resources, conditions for financial support and programme eligibility

1. Sufficient resources for financing the proposed incentive scheme are already available

2. A substantial share of ESI resources remains unused every year, partly because Member States cannot or do not want to deliver the required self-financing ratios.

3. Financial support should be conditional on the potential for positive spillovers across country borders.

Financial resources, conditions for financial support and programme eligibility

- 4. Funds should be paid in several tranches after important milestones have been achieved in order to incentivise Member States to fully implement their convergence roadmaps.

- 5. Yet, it remains a challenge to put a price tag on the short-run costs, which would determine the initial support tranches.

Conclusion

- Convergence is one of the key objectives of the European Union and has taken center stage in many recent debates.

- Available funds, from the reform proposed, are proportional to each Member State's population size and are paid out as a single installment upon full implementation of the agreed reform package.

Conclusion

- The reform might face a lot of difficulties from member state, that is why the article proposes some key goals:

- A key goal of our proposal is to strengthen national ownership of structural reforms that help governments to achieve economic convergence targets. We propose to restrict the target indicators to a small set of structural outcome variables such as per capita income and the unemployment rate. This brings more flexibility to reach the targets.

Conclusion

- Finally, financial support should not be a one-time pay-out but should be split in different tranches taking into account the potential for positive spillovers, continuous reform implementation and achievement of convergence targets.

- Programme eligibility needs to be restricted to countries with below average per capita income levels – independent of population size – in order to channel available resources to those countries with the greatest need to catch up

Thank you!

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EUROPEAN SEMESTER THEMATIC FACTSHEET DIGITAL SINGLE MARKET: BROADBAND AND E-COMMUNICATIONS

By: Arlinda Kurti

Outline

- Introduction
- How to achieve a digital single market?
- Policy Challenges
- Broadband Coverage
- Identification of appropriate policy levers
- Connectivity targets for a competitive Digital Single Market by 2025

- Connectivity targets for a competitive Digital Single Market by 2025
- Good practices : Sweden
- Broadband in the Netherlands
- Consumer aspects
- Charts
- Conclusion

Introduction

- EU is constantly trying for new possibilities of growth and digital single market is an huge potential.

- The use of digital technology has spread to the whole economy and plays a key role in most business processes, from production to marketing and sales.

- The Digital Single Market can enable SMEs, including start-ups, to reach out to a market of over 500 million people and to transform traditional industries.

How to achieve a digital single market?

- 1.Better access for consumers and businesses to online goods and services across Europe.
- 2. Create the right conditions for digital networks and services to flourish.
- 3.Maximize the growth potential of our European Digital Economy .

Policy Challenges

- Internet connection access is a must for the European state members.

- In order to benefit from the full spectrum of developments brought about by the Internet, fast Internet connections are essential. Connectivity is a critical building block for the digital economy and society.

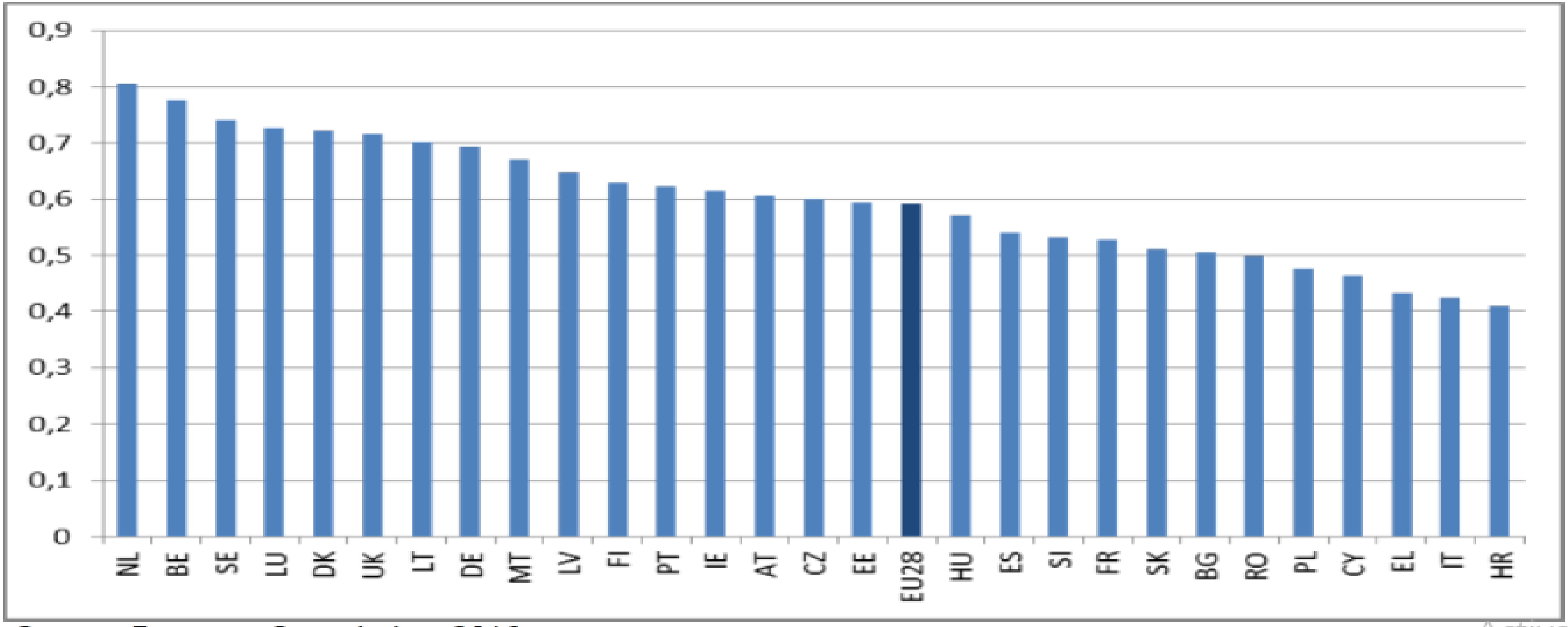
Policy Challenges

- The Digital Economy and Society Index (DESI) 2016 measures the deployment of broadband infrastructure and its quality and it is calculated by 4 dimensions:

1. Fixed Broadband (33%),
2. Mobile Broadband (23%)
3. Speed (33%)
4. Affordability (11%)

Country Scores

Figure 1 – Digital Economy and Society Index – Connectivity Dimension



Source: European Commission, 2016

Broadband Coverage

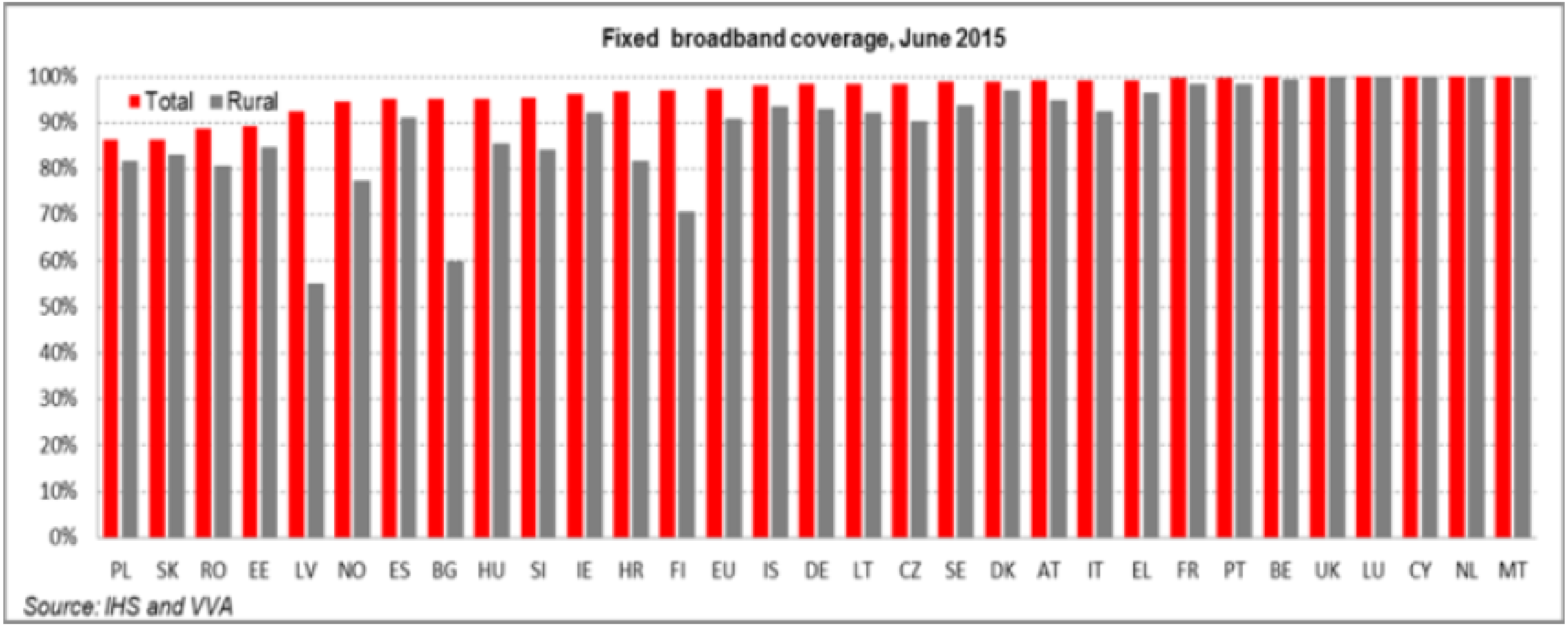
- Digital Agenda sets 2 targets:

1. Broadband should be available to all Europeans by 2013 (Only fixed wireless).
2. Fast broadband coverage at 30 Mbps or more for all Europeans by 2020.

However, taking only fixed and fixed-wireless technologies into account, coverage extends to 97.4% of EU homes, leaving 5.7 million homes unconnected .

First target

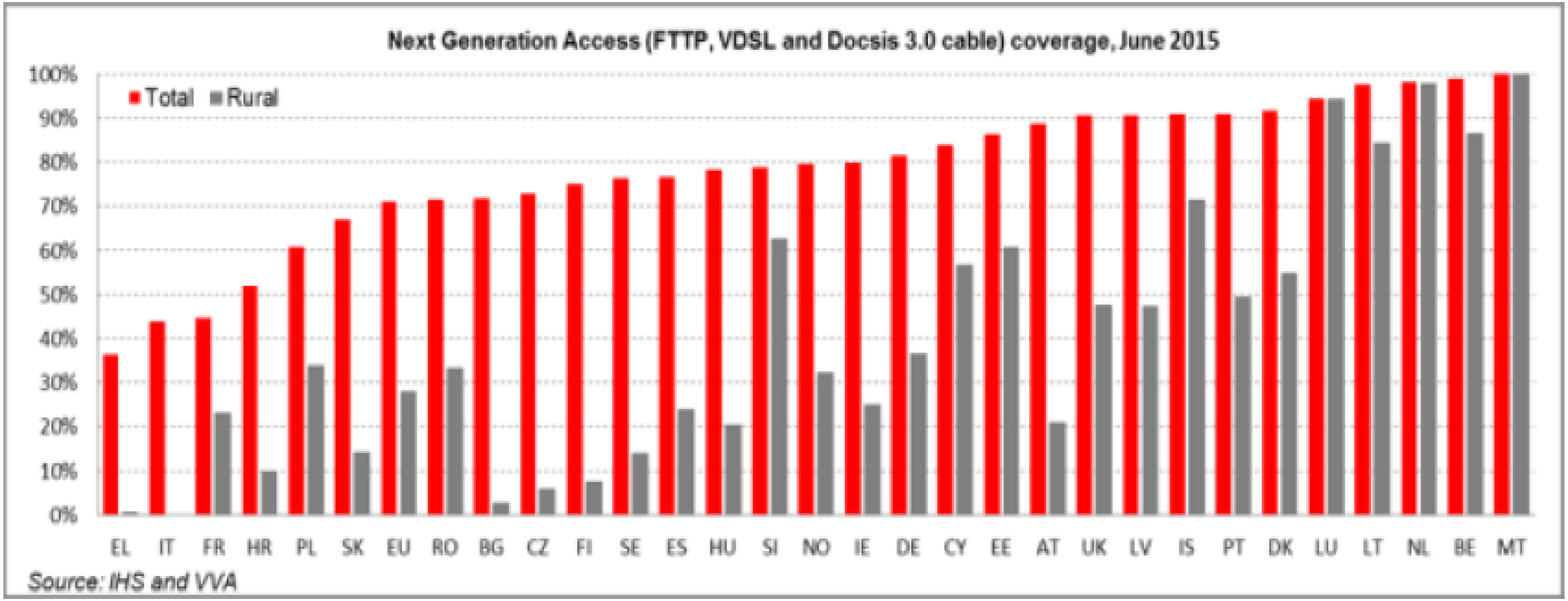
Figure 2 – National and rural fixed broadband coverage



Source: IHS and VVA, Broadband Coverage in Europe 2015. These figures refer to the roll-out of fixed and fixed-wireless broadband, and do not account for mobile wireless and satellite solutions.

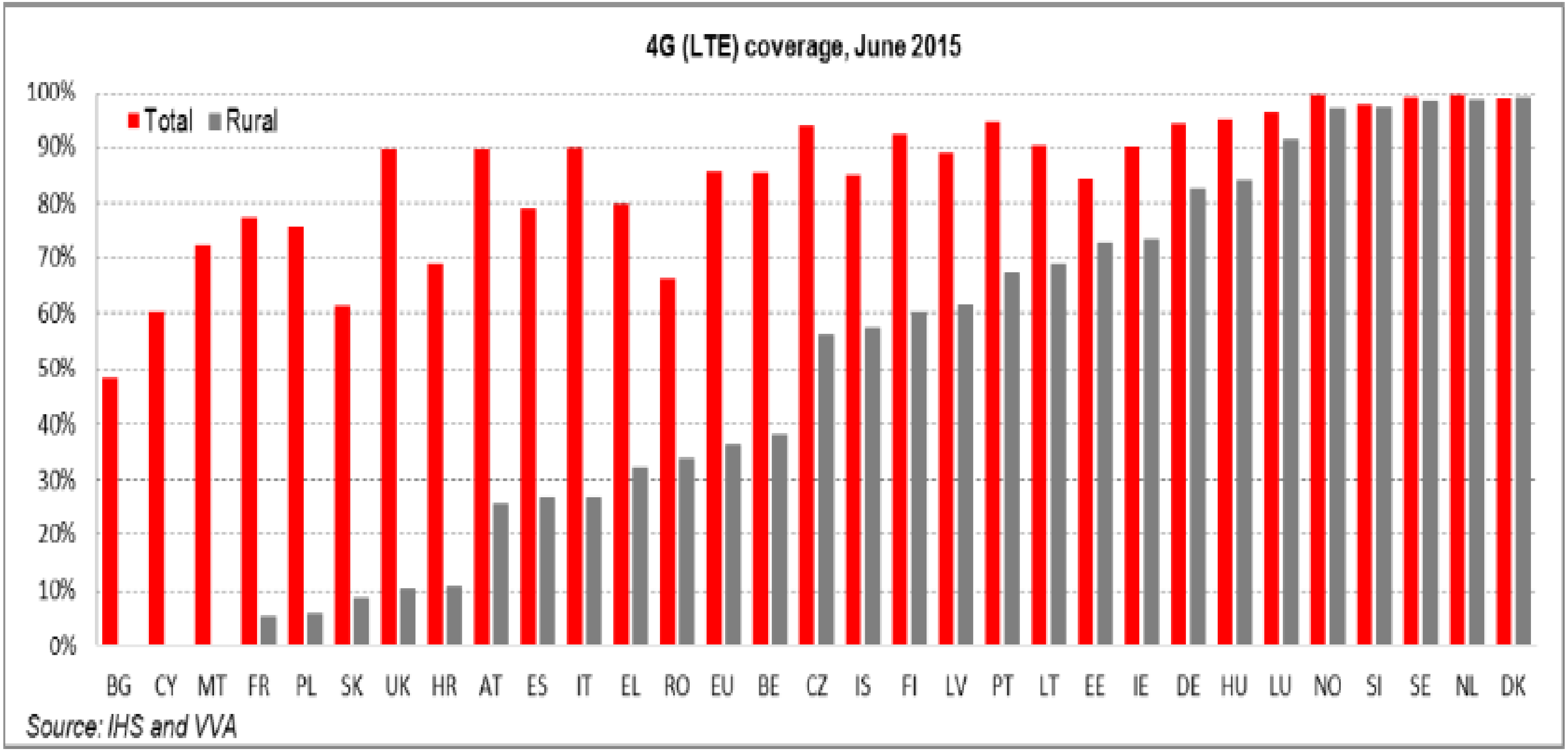
Second target

Figure 3 – National and rural fast broadband (Next Generation Access) coverage



Source: IHS and VVA, Broadband Coverage in Europe 2015. These figures refer to the roll-out of fixed and fixed-wireless broadband and do not account for mobile wireless and satellite solutions.

Figure 4 – 4G (LTE) coverage



Source: IHS and VVA

Identification of appropriate policy levers

- Important differences exist within the EU as regards telecommunications regulation and spectrum policies, which cannot be justified by national circumstances and which hinder the potential for further investment and the emergence of innovative businesses at EU level.
- The current regulatory framework for electronic communications has successfully liberalized previously monopolistic national markets and reduced barriers to entry, promoting effective competition and creating common principles for electronic communications markets across the EU.

- Commission adopted on 14 September 2016 a set of initiatives and legislative proposals to place the EU at the forefront of internet connectivity :

- 1. A set of new, non-binding connectivity targets for a competitive Digital Single Market by 2025.

- 2. An Action Plan to deploy 5G in the EU.

- 3. A Regulation to support local communities in providing free public Wi-Fi to their citizens.

- 4. A new European Electronic Communications Code which merges four existing telecoms Directives (Framework, Authorization, Access and Universal Service Directive) and an updated Regulation on the Body of European Regulators of Electronic Communications (BEREC).

Connectivity targets for a competitive Digital Single Market by 2025

- 1. All main socio-economic drivers, such as schools, universities, research centers, transport hubs, all providers of public services such as hospitals and administrations, and enterprises relying on digital technologies, should have access to extremely high-gigabit connectivity .

- 2. All European households, rural or urban, should have access to connectivity offering a download speed of at least 100 Mbps, which can be upgraded to Gbps.

Connectivity targets for a competitive Digital Single Market by 2025

- 3. All urban areas as well as major roads and railways should have uninterrupted 5G coverage, the fifth generation of wireless communication systems. As an interim target, 5G should be commercially available in at least one major city in each EU Member State by 2020.

- Reaching the connectivity objectives is estimated to require €500 billion investment over the coming decade.

The new European Electronic Communications Code

- Increased competition and predictability for investments .

- Better use of radio-frequencies.

- Stronger consumer protection.

- Stronger consumer protection.

Good practices : Sweden

- Sweden scores well above EU average in the DESI 2016 Connectivity dimension. With fixed broadband available to 99% of homes, there is a strong foundation for the digitization of society.
- Operators have therefore been able to fulfill the increasing demand for wireless services, reflected also by very high mobile broadband take-up and considerable mobile data consumption among Swedes.
- Swedish municipalities play a crucial role in the development of very high speed broadband infrastructures.

- In rural areas, fixed broadband covered 93.6% of homes, above the EU average of 90.6%, a good result given the geographical configuration of the country.

- The current broadband strategy was adopted in 2009 with the overarching goal that Sweden should have world-class broadband.

- The long term objective is to achieve 90 % coverage of households and businesses with 100 Mbps by 2020.

Broadband in the Netherlands

- Both with regard to broadband and fast broadband coverage, the Netherlands is in the top 3 countries.

- Access networks capable of providing at least 30 Mbps are available to practically all Dutch households (98% compared to 71% in the EU).

- The Netherlands is also leading the way in Europe with virtually 100% LTE (4G) coverage.

- The Netherlands will publish its Digital Agenda 2016-2017 in April this year. The main action lines are expected to be maintained in order to meet future challenges and improve benefits for the overall economy stemming from its excellent digital infrastructure.

Consumer aspects

- Prices of mobile communication services have fallen substantially for all usage patterns since 2002 in the EU. They fell by at least 30 % between 2006 and 2010.

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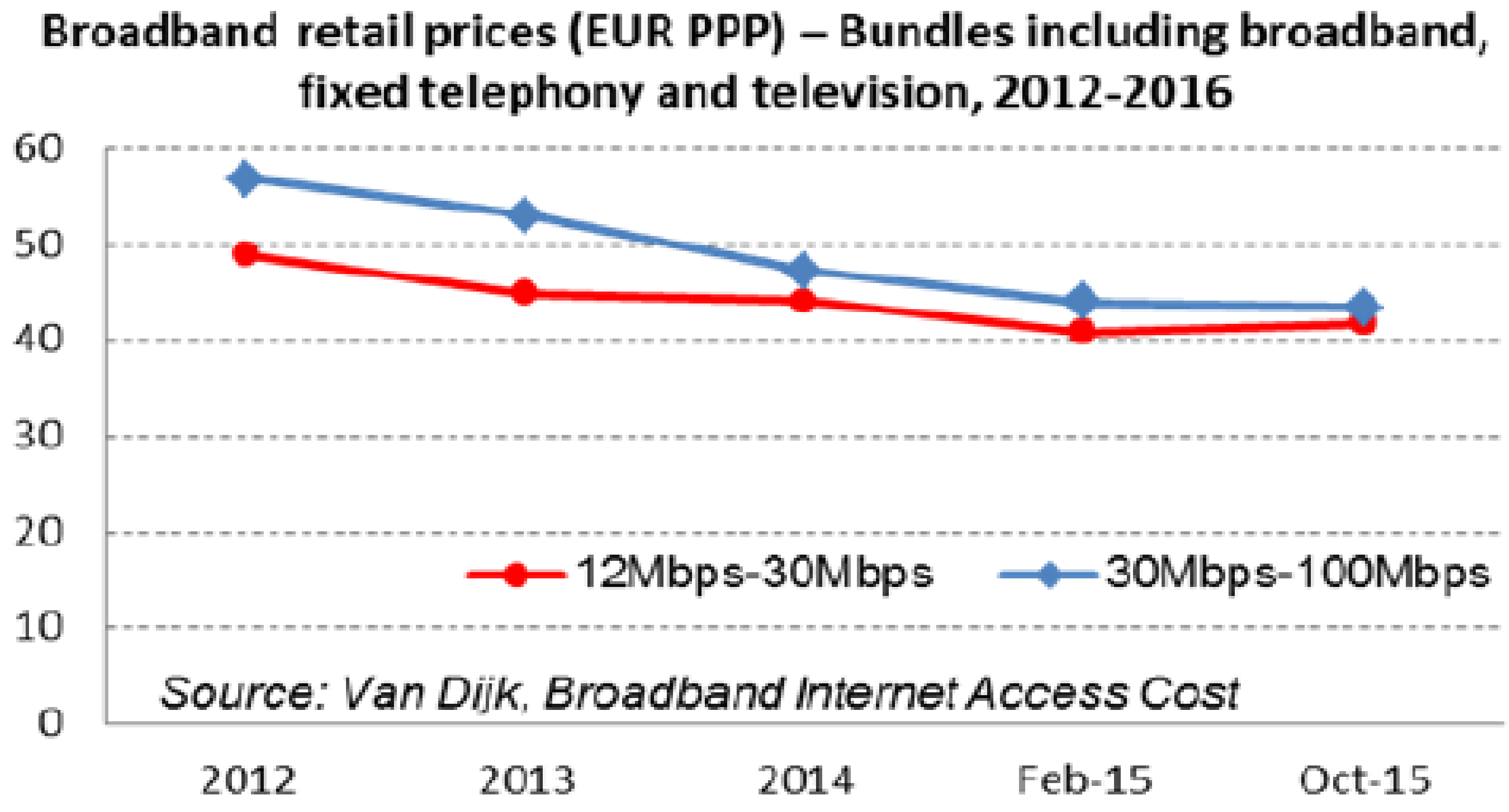
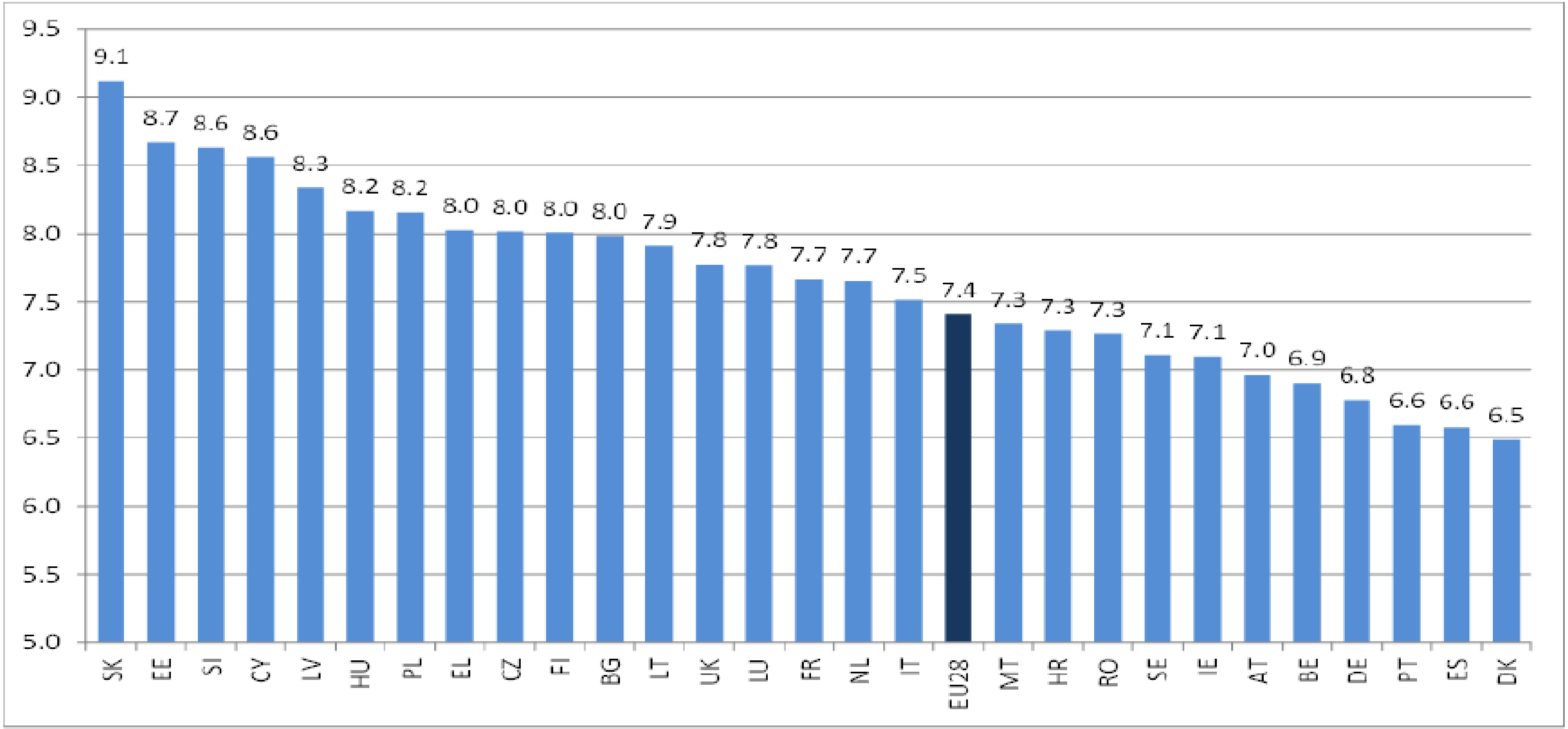
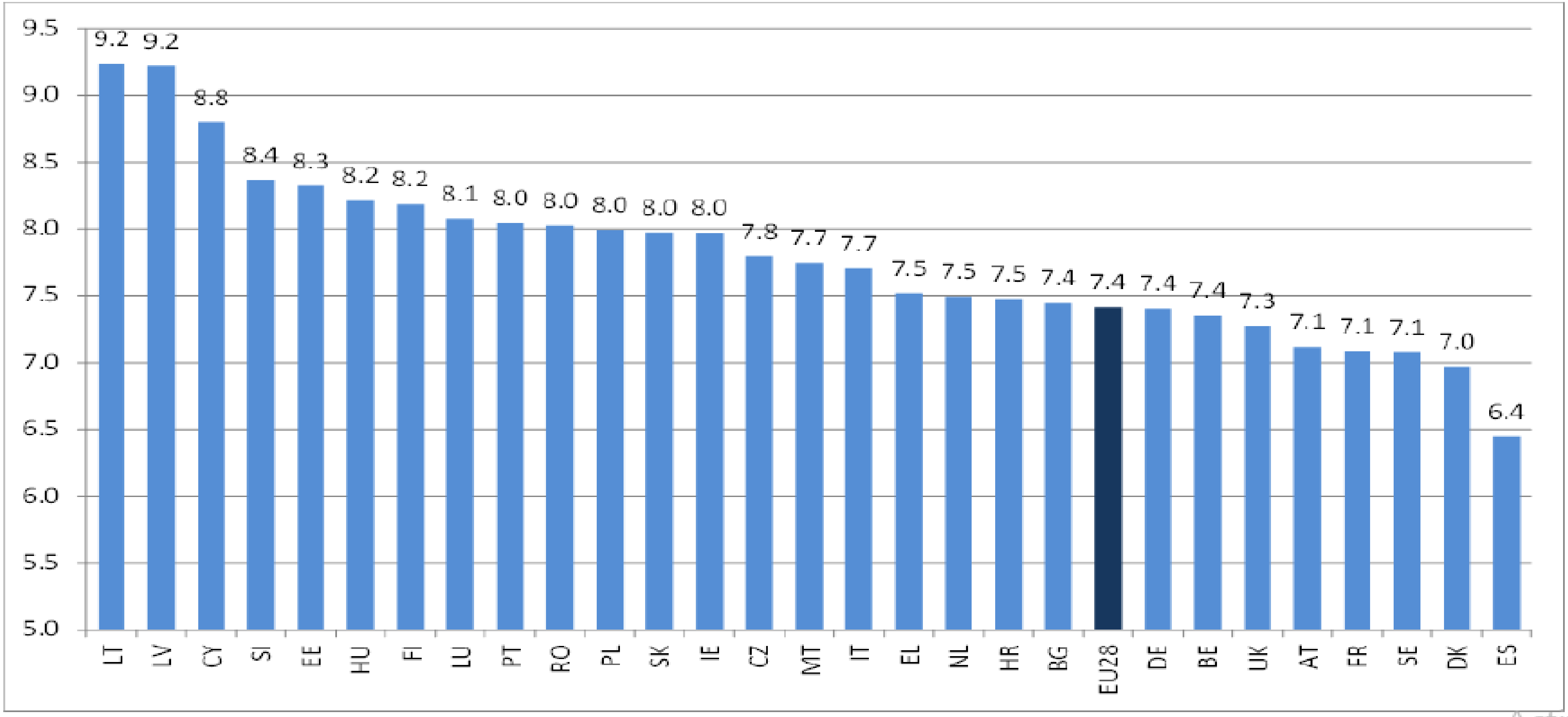

Broadband retail prices (EUR PPP) – Bundles including broadband, fixed telephony and television, 2012-2016
60
50
40
30
20
10
0
12Mbps-30Mbps
30Mbps-100Mbps
Source: Van Dijk, Broadband Internet Access Cost
2012
2013
2014
Feb-15
Oct-15

Figure 8 – Perceived ease of switching Internet service providers[10]



Source: European Commission, Market Monitoring Survey 2015 to be published in the Consumer Markets Scoreboard July 2016. Scale from 0 to 1 showing how difficult (0) or easy (10) it is to switch operators.

Figure 9 – Perceived ease of switching mobile phone operators[11]



Source: European Commission, Market Monitoring Survey 2015 to be published in the Consumer Markets Scoreboard July 2016. Scale from 0 to 1 showing how difficult (0) or easy (10) it is to switch operators.

Figure 10 – Incidence of problems in the market of internet service provision (percentage of respondents)[16], 2015

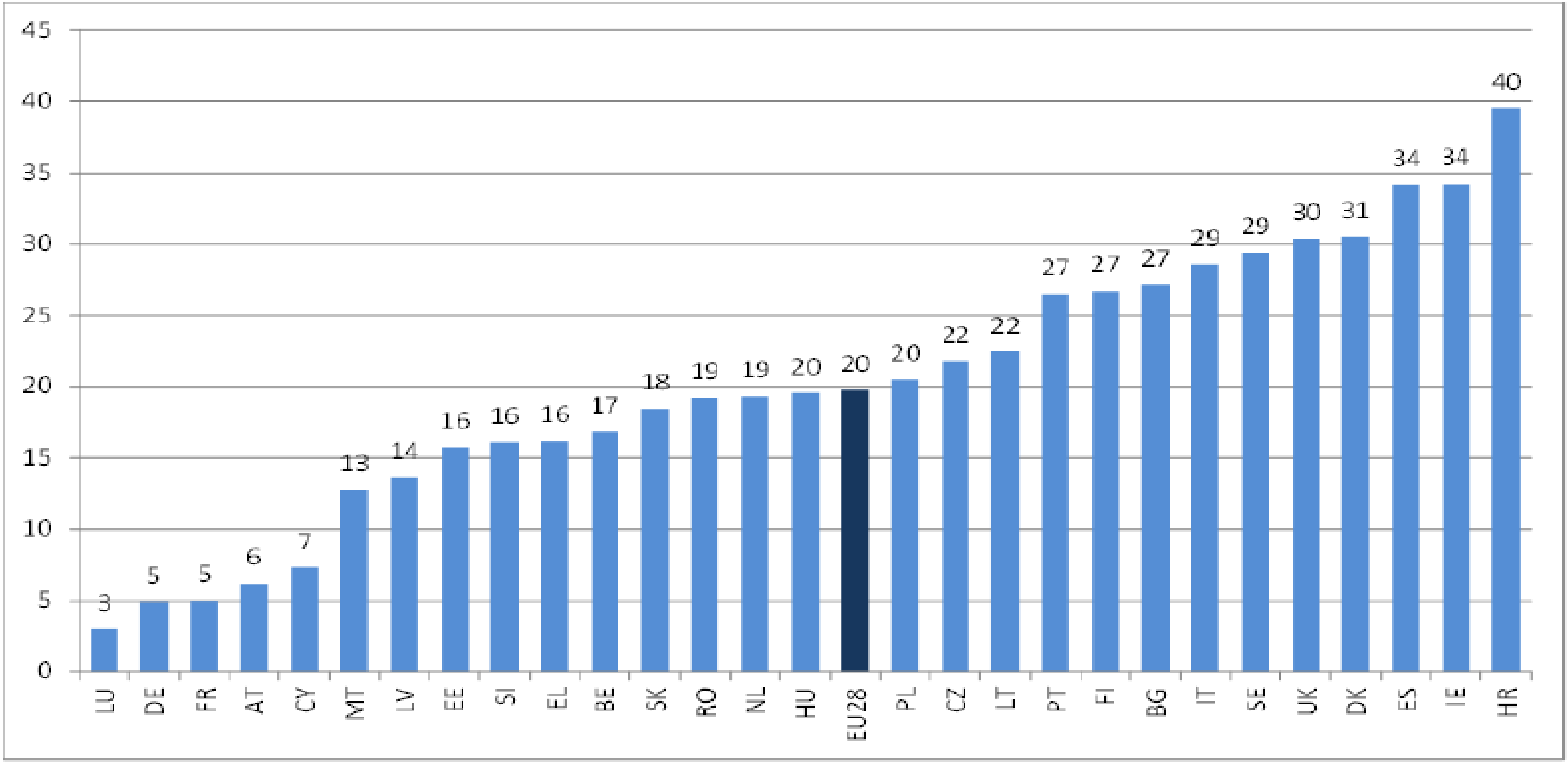


Table 1 – Digital Economy and Society Index 2016 – Connectivity

Country name	Country code	Scores (0-1)[17]
Netherlands	NL	0.80
Belgium	BE	0.77
Sweden	SE	0.74
Luxembourg	LU	0.72
Denmark	DK	0.72
United Kingdom	UK	0.71
Lithuania	LT	0.70
Germany	DE	0.69
Malta	MT	0.67
Latvia	LV	0.64
Finland	FI	0.62
Portugal	PT	0.62
Ireland	IE	0.61
Austria	AT	0.60
Czech Republic	CZ	0.60
Estonia	EE	0.59
European Union 28	EU28	0.59
Hungary	HU	0.57
Spain	ES	0.54
Slovenia	SI	0.53
France	FR	0.52
Slovakia	SK	0.51
Bulgaria	BG	0.50
Romania	RO	0.49
Poland	PL	0.47
Cyprus	CY	0.46
Greece	EL	0.43
Italy	IT	0.42
Croatia	HR	0.41

History

- Until 1990, Albania was one of the world's most isolated and controlled countries. The installation and maintenance of a modern system of international and domestic telecommunications was precluded. Callers previously needed operator assistance even to make domestic long-distance calls.

- Albania's telephone density was the lowest in Europe, at 1.4 units for every 100 inhabitants. Tirana accounted for about 13,000 of the country's 42,000 direct lines; Durrës, the main port city, ranked second with 2,000 lines; the rest were concentrated in Shkodër, Elbasan, Vlorë, Gjirokastër, and other towns.

- In the early 1990s, Albania had 240 microwave circuits carrying international calls to Italy and 180 to Greece. The Albanian telephone company had also installed two U-20 Italtel digital exchanges.

- At present the land lines are overloaded, and it is difficult to receive a telephone number. As a result, the number of mobile phones has skyrocketed in the bigger cities.

Telephone lines

- Despite investment in fixed lines, the density of main lines remains the lowest in Europe with roughly ten fixed lines per 100 people;
- However, offsetting the shortage of fixed line capacity, mobile phone service has been available since 1996;
- Cellular use is widespread and generally effective; multiple companies provide mobile services and mobile teledensity had reached 100 per 100 persons;
- International traffic is carried by fiber-optic cable and, when necessary, by microwave radio relay from the Tirana exchange to Italy and Greece (2011);

Internet

- Top-level domain: .al
- Internet users:
- 1.6 million users, 100th in the world; 54.7% of the population, 77th in the world (2012).
- 1.3 million, 91st in the world (2009).
- Fixed broadband: 148,882 subscriptions, 91st in the world; 5.0% of population, 103rd in the world (2012).
- Wireless broadband: 552,676 subscriptions, 90th in the world; 18.4% of the population, 74th in the world (2012).
- Internet hosts: 15,528 hosts, 124th in the world (2012).
- IPv4: 323,840 addresses allocated, less than 0.05% of the world total, 3.4 addresses per 1000 people (2012).
- Internet service providers: 10 ISPs (2001).

Internet censorship

- There are no government restrictions on access to the Internet or reports that the government monitors e-mail or Internet chat rooms without appropriate legal authority.

- The constitution provides for freedom of speech and press, and the government generally respects these rights in practice.

Situation in Albania

Browse by City we track coverage

- Berat
- Durrës
- Elbasan
- Fier
- Korçë
- Kukës
- Lushnjë
- Shkodër
- Tirana
- Vlorë

Average results in Albania

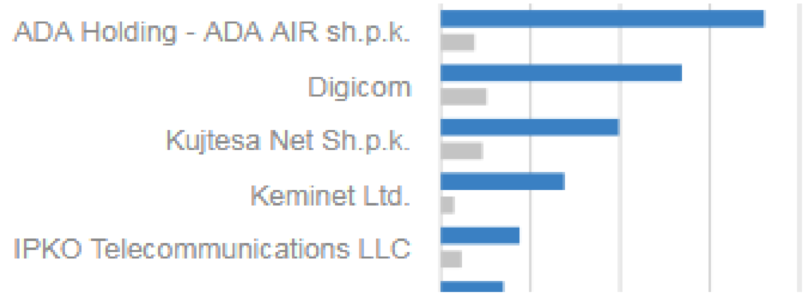
15.53 Mb/s

Download Speed

6.11 Mb/s

Upload Speed

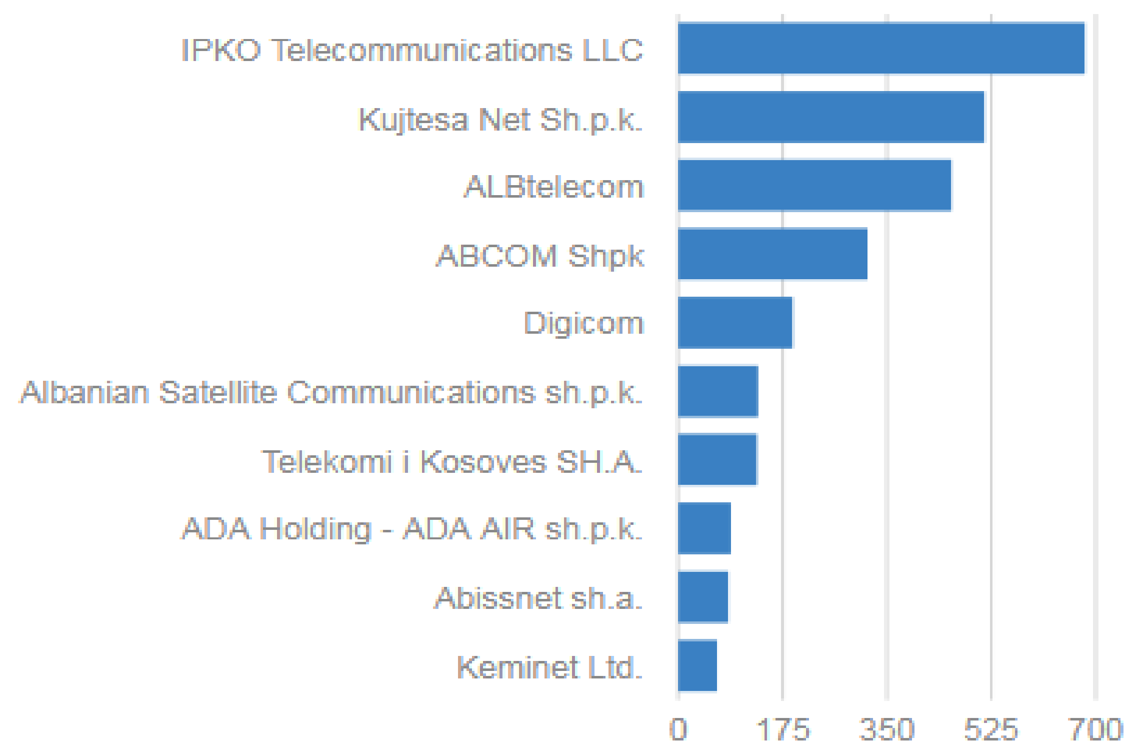
Top 10 - Fastest ISPs in Albania



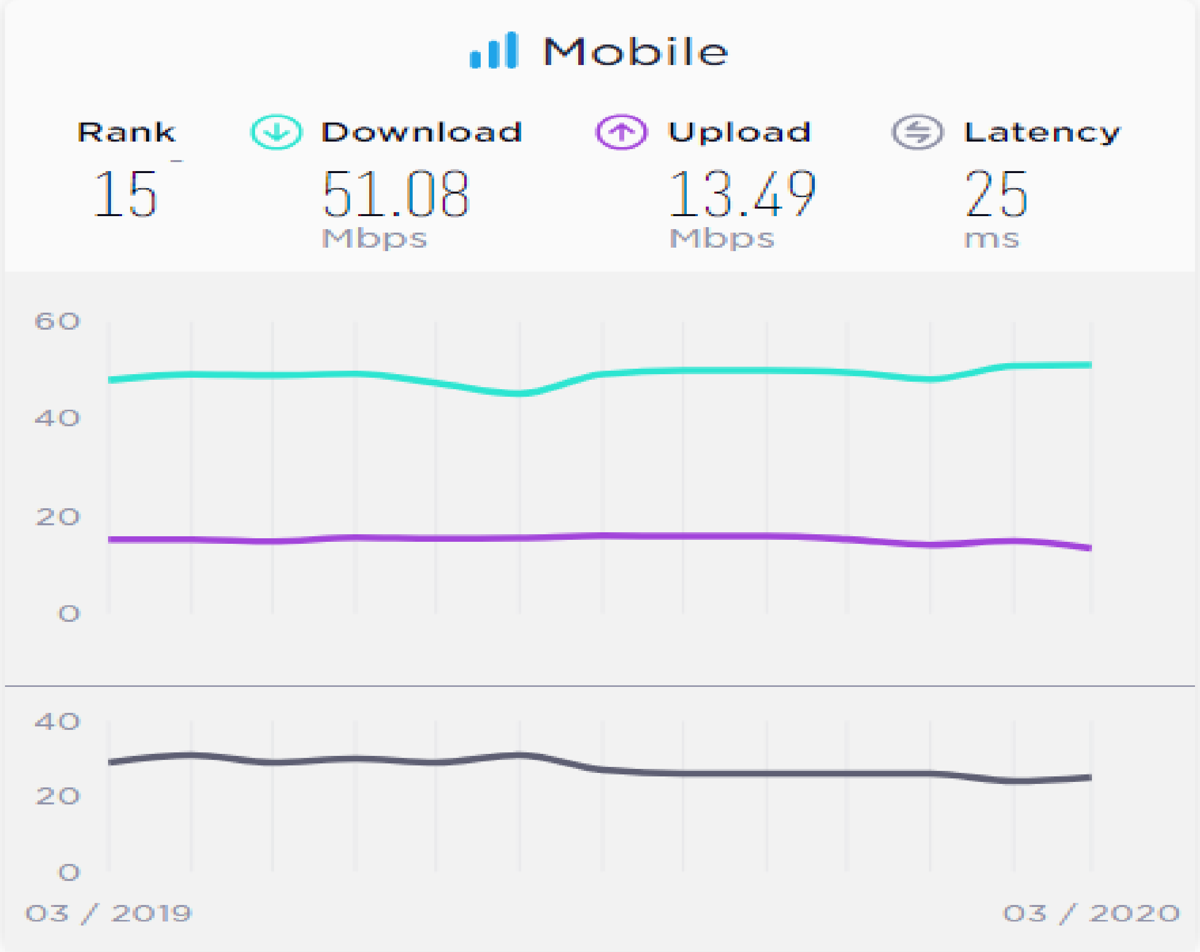
Browse by ISP we track coverage

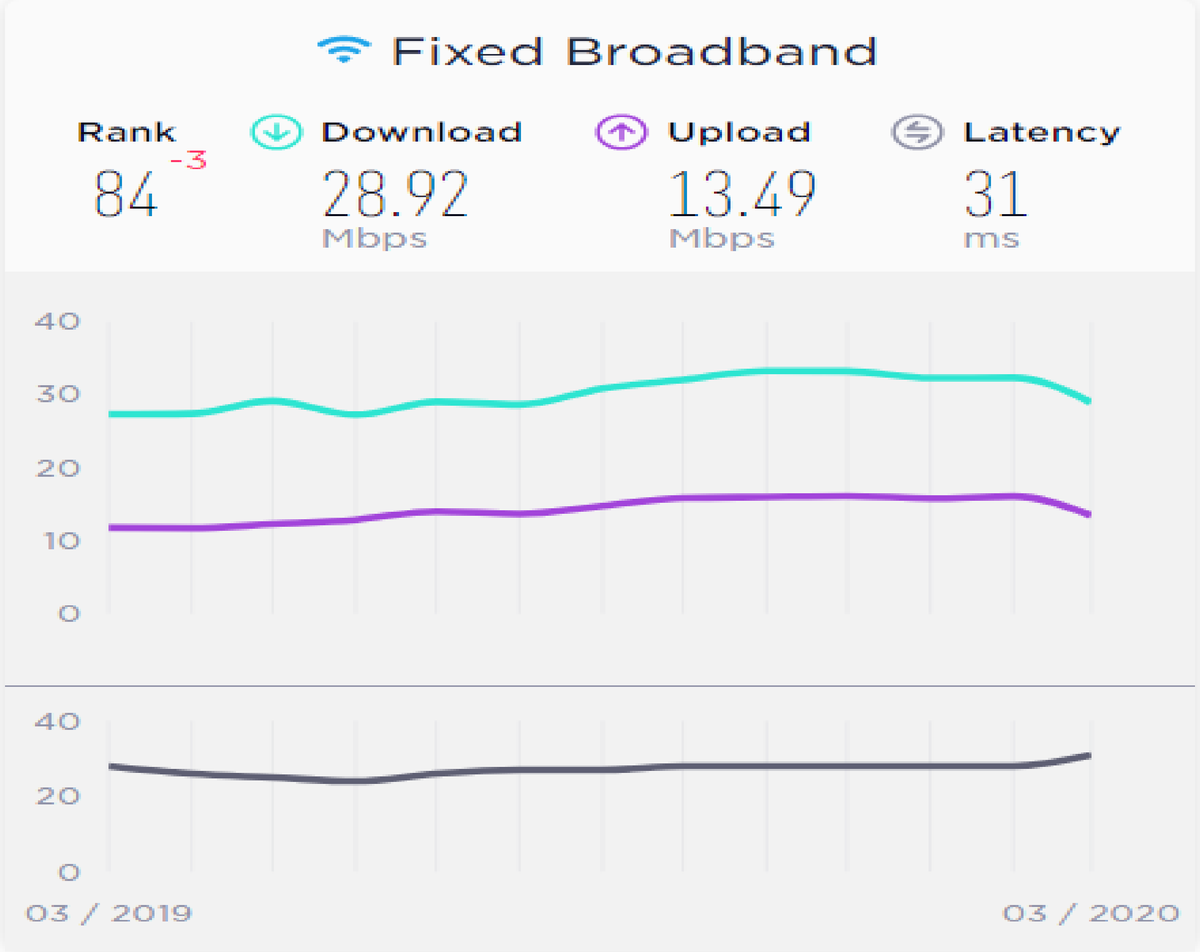
Provider Name	Download Speed	Number of Tests
ABCOM Shpk	7.06 Mb/s	317
Abissnet sh.a.	12.28 Mb/s	84
ADA Holding - ADA AIR sh.p.k.	63.14 Mb/s	88
Albanian Satellite Communications sh.p.k.	10.36 Mb/s	134
ALBtelecom	6.06 Mb/s	458
Digicom	47.09 Mb/s	192
IPKO Telecommunications LLC	15.38 Mb/s	682
Keminet Ltd	24.11 Mb/s	65

Total speed tests in Albania



Albania ranked 15th in the world for mobile speeds and 84th for fixed broadband speeds during March 2020





Conclusion

- The use of digital technology has spread to the whole economy and plays a key role in most business processes, from production to marketing and sales. The Digital Single Market can enable SMEs, including start-ups, to reach out to a market of over 500 million people and to transform traditional industries.
- A necessary condition for the development of a digital society is the ability of its members to connect to the Internet that is why it is very important that EU delivers a fast and efficient internet line to every household.

Thank you!

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State aid

- **Ergi Xibraku**

What is a state aid

- State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.

- To be State aid, a measure needs to have these features:

I. there has been an intervention by the State or through State resources which can take a variety of forms;
II. the intervention gives the recipient an advantage on a selective basis, for example to specific companies or industry sectors, or to companies located in specific regions
III. competition has been or may be distorted;
IV. the intervention is likely to affect trade between Member States.

State aid procedures

Article 107 of the Treaty on the Functioning of the European Union ensures that aid granted by a Member State or through State resources does not distort competition and trade within the EU by favouring certain companies or the production of certain goods.
To prevent that companies doing business in the Internal Market receive selective advantages that distort competition, the TFEU contains a general prohibition of State aid.

EU State aid control requires prior notification of all new aid measures to the Commission. Member States must wait for the Commission's decision before they can put the measure into effect.

Notified aid

There are a few exceptions to mandatory notification, for example:

- aid covered by a Block Exemption

(giving automatic approval for a range of aid measures defined by the Commission),

- *de minimis* aid

not exceeding €200,000 per undertaking over any period of 3 fiscal years (€100,000 in the road transport sector) or

- aid granted under an aid scheme already authorised by the Commission.

Preliminary investigation

Each notification triggers a preliminary investigation by the Commission. The Commission may request information from the notifying Member State, if the notification is incomplete. If the Member State fails to reply in the prescribed period of time, the notification is deemed to be withdrawn. From the time it has received a completed notification, the Commission has two months to decide that:

there is no aid within the meaning of the EU rules, and the measure may be implemented; or

the aid is compatible with EU rules, because its positive effects outweigh distortions of competition, and may be implemented;

serious doubts remain as to the compatibility of the notified measure with EU State aid rules, prompting the Commission to open an in-depth investigation.

Existing aid

To secure the abolition or adaptation of old pre-accession aid that is incompatible with the internal market or to review aid schemes which were authorized in the past but which may no longer be compatible with the internal market under the conditions currently prevailing.

- The Commission must inform the Member State concerned, who can submit comments within one month.
- The Commission then examines these comments and - if necessary - proposes appropriate measures to bring the existing aid in line with EU State aid rules.
- If the Member State does not accept these measures, the Commission must then initiate the formal investigation procedure.

Unlawful aid

Unlawful aid is aid granted without prior Commission authorisation.

- The Commission must examine all information it receives concerning alleged unlawful aid immediately.
- If there is unlawful aid, as for cases of notified aid, the Commission first opens a preliminary investigation and, if doubts as to the compatibility of the measure persist, it carries out an in-depth investigation. The Commission may use injunctions to obtain information from Member States and suspend the further granting of aid or impose provisional recovery obligation on the Member State.
- In case of a final negative decision, recovery of the aid already paid out, with interests, will take place.

Formal Investigation aprocedure

The Commission is obliged to open a formal investigation under Article 108(2) TFEU if it has serious doubts about the aid's compatibility with EU State aid rules or if it faces procedural difficulties in obtaining the necessary information.

- The decision to initiate this procedure is sent to the relevant Member State.
- It summarises the factual and legal bases for the investigation and includes the Commission's preliminary assessment, outlining any doubts as to the measure's compatibility with EU state aid rules.
- The decision is published in the EU's Official Journal
- Then Member States and interested third parties have one month from the date of publication to submit comments.
- The Member State concerned is in turn invited to comment on observations submitted by interested parties.

Adopting a final decision

The Commission adopts a final decision at the end of the formal investigation. There is no legal deadline to complete an in-depth investigation and its actual length depends on many factors

There are mainly three possible outcomes:

Positive decision: where the measure is no aid or the aid is compatible with the internal market.

Conditional decision: the measure is found compatible, but its implementation is subject to the conditions stated in the decision.

Negative decision: The measure is incompatible and cannot be implemented. The Commission in principle orders the Member State to recover aid that has already been paid out from the beneficiaries.
Where the decision is on existing aid, the Commission cannot order the recovery of aid already given, but will prevent the Member State from granting future aid.

Recovery of aid

- If the Commission has taken a negative decision in the context of aid that has already been paid out, the Commission requires the Member State to recover the aid with interest from the beneficiary.
- In this case, the Commission opens a 'recovery case' to enforce its decision. If the Member State does not comply with the decision in due time, the Commission may refer it to the European Court of Justice.
- The aim of recovery is to remove the undue advantage granted to a company and to restore the market to its state before the aforementioned aid was granted.
- There is a limitation period of ten years for recovery.

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EUROPEAN SEMESTER THEMATIC FACTSHEET TRANSPORT

ERGI XIBRAKU

INTRODUCTION

- Transport is a fundamental sector for and of the economy, for it embraces a complex network of private and public companies which provide goods and services to citizens and businesses in the European Union and its trading partners.

MAIN CHALLANGES

- The main challenges for the transport sector in the European Union include creating a well-functioning Single European Transport Area, connecting Europe with modern, multi-modal and safe transport infrastructure networks, and shifting towards low-emission mobility, which also involves reducing other negative externalities of transport.

IDENTIFICATION OF POLICY LEVERS TO ADDRESS THE CHALLENGES

Addressing the gaps in the single European transport area is expected to improve transport services in Europe. Thus it constitutes a prime policy lever for addressing the identified challenges. More specifically, for rail transport it primarily means:

・completing market opening; ・introducing the principle of competition for public service contracts;

・ensuring non-discriminatory access to infrastructure;

・reducing technical and regulatory barriers for market entry;

・the single signalling system;

・common passenger rights with fewer national exemptions;

・harmonised technical standards across Europe;

・and fair working conditions.

The 4 th Railway Package of 2016 aims to open up the market for rail passenger transport services. It establishes open access rights for railway companies in the EU from 2020 and lays down the principle of competitive awards for public service contracts. The policy focus will now have to be on effective enforcement of market opening and competition generation based on sectorial legislations and competition policy instruments.

For road transport, the proposed measures include;

・completing market opening;

・better enforcing existing rules;

・setting common vehicle standards;

・addressing road charging systems and technologies;

・making greater efforts for road safety;

・and addressing environmental sustainability and passenger rights issues .

- Following the successful liberalisation of air transport that has benefited EU consumers , action should now focus on:

・creating high quality jobs in aviation;

・protecting passenger rights;

・making the best use of innovation and digital technologies;

・and ensuring aviation's contribution to a resilient Energy Union and climate change mitigation.

- Maritime transport would benefit from:

・tackling direct state aid to terminal managers and maritime companies;

・liberalisation and transparency of port services;

・involvement of non-European ports in Motorways of the Seas;

・and proper emission taxation .

- Inland waterway transport requires policies addressing administrative and regulatory barriers, unused capacity and environmental externalities . The quality and capacity of transport infrastructure will have to be improved to handle the expected growth in passenger and goods mobility. Given the likelihood that public funds will be limited, increased investment from the private sector in strategic transport infrastructure will be essential. In 2017, the Commission agreed to invest EUR 2.7 billion in 152 key transport projects that support competitive, clean and connected mobility in Europe. In this way the Commission is delivering on its Investment Plan for Europe and on Europe's connectivity, including the agenda set out in the Communication 'Europe on the Move'.

- Selected projects are mostly concentrated on the strategic sections of Europe's transport network (the TEN-T core network) to ensure the highest EU added value and impact. The largest part of the funding will be devoted to:
- ・developing the European rail network (EUR 1.8 billion);
- ・decarbonising and upgrading road transport, developing intelligent transport systems (EUR 359.2 million);
- ・and deploying air traffic management (ATM) systems (EUR 311.3 million).

- Policies should take into account the fact that EU countries have different infrastructure needs. Increased investment in this field should take account of the investment pattern before and after the recent financial crisis. Policies that promote spending in transport infrastructure encourage growth, provided they do not create excess capacity. Providing too much infrastructure has been shown to create inefficiencies by diverting resources away from more productive investments42 . However, EU countries in which the stock of infrastructure is low, or has suffered from underinvestment, could certainly benefit from higher infrastructure investment. Efforts also have to be made to complete the multi-modal core network, which is the central part of the trans-European transport network policy43 . There should be more focus in all EU countries on developing and deploying of innovative infrastructure technologies and elements. This will improve both a demand-based and sustainable provision of transport services and individual mobility. Based on the Commission's intelligent transport systems (ITS) action plan of 2008, a dedicated legal framework was established with the entry into force of the ITS Directive in 201044. This framework supports the harmonised deployment in the EU of ITS solutions in road transport.

- Infrastructure charging and taxes combined with innovative mechanisms to promote the financing of infrastructure for sustainable transport47 can address the budgetary constraints for infrastructure maintenance and shape the mobility patterns and freight flows48 . Notably in road transport, a greater application of efficiently organised distance-based charges for road usage would create regular revenue streams for sustainable and efficient longterm maintenance and development of the network. Greater use of the possibility to charge for external costs would help to apply the 'polluter pays' principle. However, the current infrastructure charging and transport taxation schemes substantially differ among EU countries, possibly creating market distortions and inefficiencies. The systems in place also treat some modes and fuels in a preferential way, leading to unsustainable mobility choices.

- Since the highest share of CO_2 emissions in transport comes from the road sector, it is also the area where EU countries have made the most effort to mitigate this impact. Yet, they often use different approaches. There is a need to provide consistent incentives to users to promote the most energy efficient trucks. An effective way would be to differentiate tolls according to the CO_2 performance of trucks. Other measures besides taxation that can address negative externalities consist in:

・deploying clean fuels for transport;

・deploying intelligent transport systems;

・setting efficiency standards for vehicles;

・sharing best practices (including ecodriving);

- ・and encouraging the use of more energy efficient transport modes, in particular collective transport.

- In my opinion transport in EU is very important and states shoulde come to some aggrement in order to make it more efficient and more profitable for everyone without differences. They should understand each state specifics and help them develop their methods in order to give them the opportunity to reach the other more advanced countries.

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FOR AN INCLUSIVE EU SME POLICY

Maria Chiara Vasili

Introduction

- Creation of a supporting environment for SMEs - priority policies
- Field of activity and legal form of SMEs-better reflection needed
- Pointing at the shortcomings of the current EU SME policy to meet the needs of Local Public Services Enterprises (LPSEs).
- The case for a more inclusive SME policy - benefits to all SMEs, small and medium-sized LPSEs

THE CONTRIBUTION OF LPSES TO EUROPE'S COMPETITIVENESS, GROWTH AND JOBS

- LPSEs provide SGIs in a wide range of sectors, electricity, energy supply, gas, communication networks, heating, housing, ports, transport, water, sewerage, waste, telecommunications, health, social care, urban planning, economic development
- Local enterprises operate under some degree of control of a local authority-determining its strategic direction

The contribution of LPSEs to Europe’s policy priorities

- Key role for a sustainable and efficient local action ,for achieving the sustainability and competitiveness objectives of the EU
- Crucial to the creation of the Energy Union and a European circular economy
- Played a counter-cyclical effect during the crisis through continued employment, investment and procurement
- Play a dynamic economic role by being at the forefront of developing and creating an enabling environment for innovative solutions to societal challenges

The business environment of LPSEs

- act increasingly in a competitive environment
- face similar challenges and needs to SMEs in terms of competitiveness
- challenge of finding the workforce with appropriate skills and budgetary cuts

THE EXCLUSION OF LPSES FROM THE EU SME DEFINITION AND ITS CONSEQUENCES FOR THE EU INTERNAL MARKET

The European Commission recommendation on the EU SME Definition and the exclusion of LPSEs

- The definition of SMEs shall support policy implementation
- It is addressed to the Member States and provides a framework for statistical definitions
- Allowing exemptions or provisions - easier compliance arrangements - enterprises covered by the Definition
- The size thresholds relating to the number of people employed, turnover and balance sheet total

THE EXCLUSION OF LPSES FROM THE EU SME DEFINITION AND ITS CONSEQUENCES FOR THE EU INTERNAL MARKET

The principle of equal treatment according to article 345 TFEU

- EU SME Definition unnecessarily discriminates against LPSEs for the very nature of their ownership structure
- The Treaty does not impair the ability of Member States to establish businesses as they deem appropriate
- The legal definition of a company is determined not by the public or private nature of its shareholders, but by meeting the requirements to set up a company as foreseen by corporate law
- SME will not be considered a large enterprise by the mere fact of being publicly owned or owned by a private investor with significant financial resources
- The fact that SMEs part of a group of companies cannot claim for the SME status in competition rules stems from the very notion of enterprise and control lying at the core of corporate policy

The specific nature of public authority owners

CURRENT REGULATORY AND FINANCING CHALLENGES FACED BY LOCAL ENTERPRISES

The financing challenge

- banking loans and own resources-traditional ways of financing
- difficulties in accessing short-term bank loans in 2015 in France
- Implementation of Basel III is expected to affect the access of bank financing of local enterprises
- LPSEs are increasingly engaged into “risky” investments
- Ineligibility problems arise also for accessing EU grants
- EU innovation funding reaches insufficiently SMEs because of the complex procedural requirements and lack of information

CURRENT REGULATORY AND FINANCING CHALLENGES FACED BY LOCAL ENTERPRISES

Coping with undue regulatory burden

- local enterprises often face disproportionate regulatory costs
- Think Small First principle
- current policy approach to SMEs –does not serve the principle of proportionality and might undermine the effectiveness of EU policies

1. **energy efficiency directive**
2. **data protection regulation**

TOWARDS A MORE INCLUSIVE SME POLICY

CEEP recommendations to EU policy-makers:

- SME Test might need to be adapted
- Policy-makers should refrain from considering public ownership as a competitive advantage per se
- EU institutions, European Commission should refrain from making a systematic use of the EU SME Definition in EU legislation
- European Commission should explore how to remedy to the blunt exclusion of LPSEs from the EU SME Definition
- Helpful if the European and national legislators would exclude Article 3, Paragraph 4 of the Annex to the aforementioned Commission Recommendation when referring to the SME definition

Thank You!

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Services Markets

Maria Chiara Vasili

Introduction

- Services Markets – center of EU economy-71% -value added, 68% -EU employment
- Potential growth in job service markets –integration & regulation of services
- Recently holding back performance (low competitive pressures/productivity/cross-border investments/labor mobility – due to regulatory restriction, administrative procedures & regulation
- Restrictions-Increased productivity – Easier access to labor markets
- Productivity ~ Manufactory Industry Importance
- Digitization of services – create demand for new services –more tradable services
- Regulation – Public policy/security/consumer objectives protection, health, environment

Introduction

Business Services

-professional, ethic, technical activities, admn & supportive

-12,8%-value added

-13,7% of total employment

-16% of goods produced

Construction Services

-vital for EU economy

-5.3% of EU value added

-6.3% of EU employment

-gives jobs to 14 million people

Retail Services

-4.5% of total EU value added

- Employ 8.6% of the workforce

12% growth/year-providing opportunities for traditional retail

Regulated Profession

-40% of regulated professions in health/social service

-15% of total (business services)

-10% transport services

-9% public & education service

-7% construction

EU Level –Adoption of Service Directive(2006)

-47% of EU value added

-removal of regulatory barriers by Member States

-Support of professionals mobility(2013)

-Framework set up ensuring national regulation

-2017-Servie Package Presentation

Policy changes

- **Low Competitive Pressures**

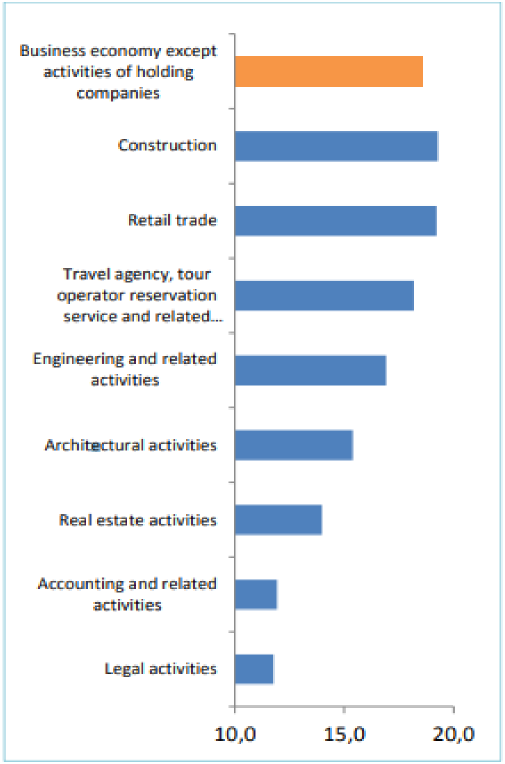
-Innovation & Performance

-Productivity

-Market churn rates

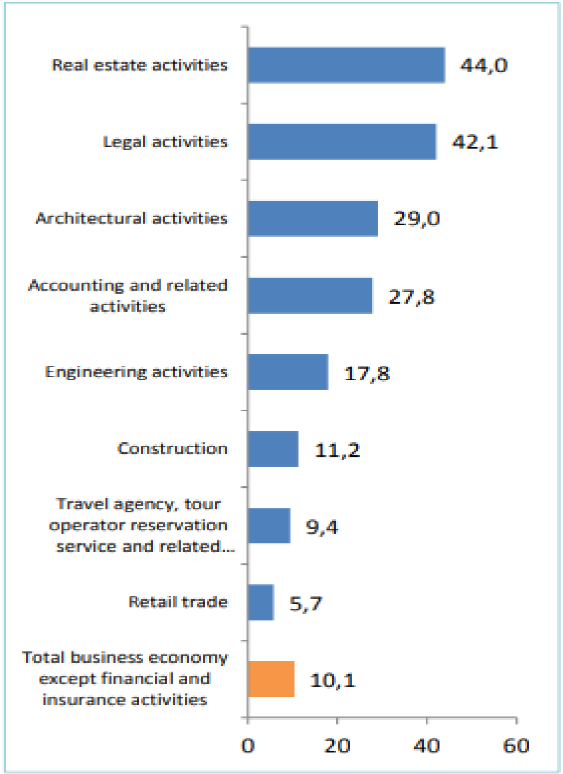
-higher profits/gross operating rates

Figure 1 — Business churn rate in selected economic activities, EU-28, 2014 (%)



Source: Eurostat, own calculations.

Figure 2 — Gross operating rate in selected economic activities, EU-28, 2014 (%)

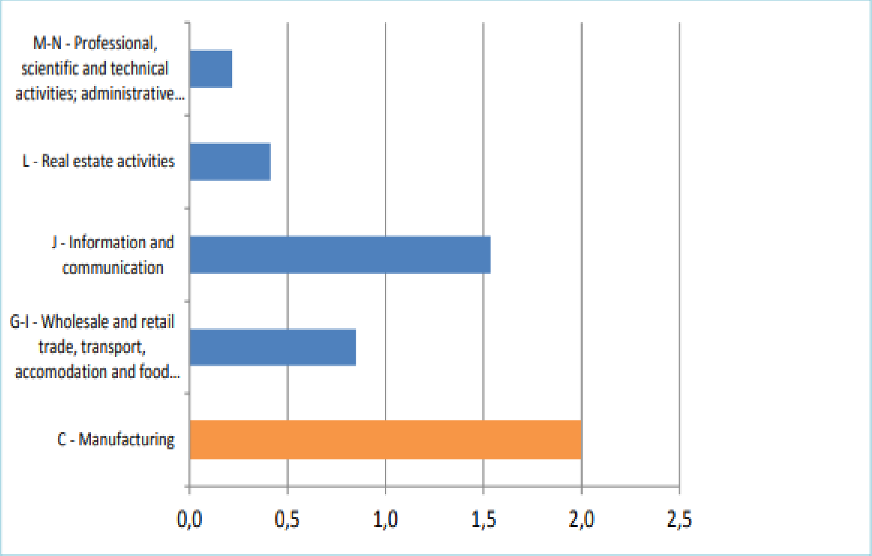


Source: Eurostat, own calculations.

Policy changes

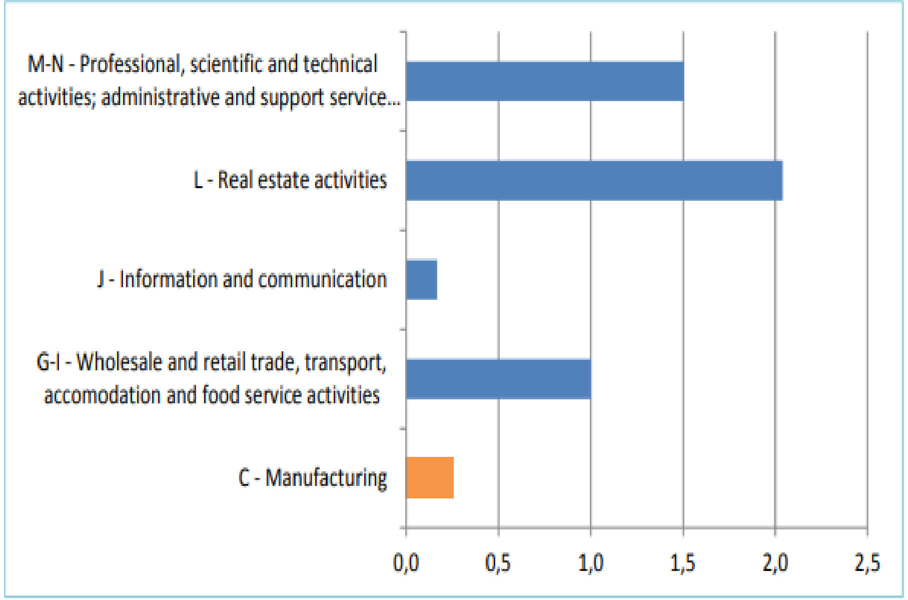
- **Slow Productivity Growth**

Figure 3 — Sectoral productivity growth per person, EU-28 (average annual change in %, 2011-2016)



Source: Eurostat, own calculations.

Figure 4 — Sectoral ULC growth, EU-28 (average annual change in %, 2011-2016)



Source: Eurostat, own calculations.

Policy changes

- **Lack of cross-border services integration**

-Trade integration -6.6% trade integration of services across EU lags behind of goods(20.6%)

-Cross-border investments -12% in services

- **Low labor mobility for professionals**

-key determinant of growth-enhancing productivity

-Reduce labor shortages, balances demand for labor between Member States

-Regulated Profession -Recognition Process

Policy levers to address the policy challenges

- **Reforms in the services sector**

-Authorization

-Legal form and shareholding requirements

-Professional indemnity insurance

-Temporarily providing cross-border services

-Implementation of far-reaching reforms, adopting more than a thousand laws-0.8% GDP ↑ - additional ↑10.8% of EU GDP

-Only 0.1% of 1.8% of GDP potential was realized

-Reduced regulatory barriers in services - ↑sector-specific churn rates- ↑allocative efficiency - ↓profitability/prices

-IMF assessment –product market reforms- +effects on capital, employment , +effects on firms in downstream sectors

-OECD studies ‘ve shown reducing barriers –strengthening productivity growth

-Lower level of service regulation↑ value added productivity, export growth

Policy levers to address the policy challenges

- **Reforms of regulation in professional services**

-Reform recommendations for regulation in professional services

-Restrictiveness indicator

-Lower levels of regulatory restrictions on professional services go hand-in-hand with better economic outcomes

-Regulation result in an aggregate wage 4% on average, ↑price of services for consumers

-Proportionate / adaption of market reality-improved allocative efficiency-intensifying business dynamics

Policy levers to address the policy challenges

- **Removing barriers in the retail sector**

-Made up of big, medium-sized and small shops

-Diverse Channels

-Seizing differences

-Market Entry Barriers

-Opening of physical shops

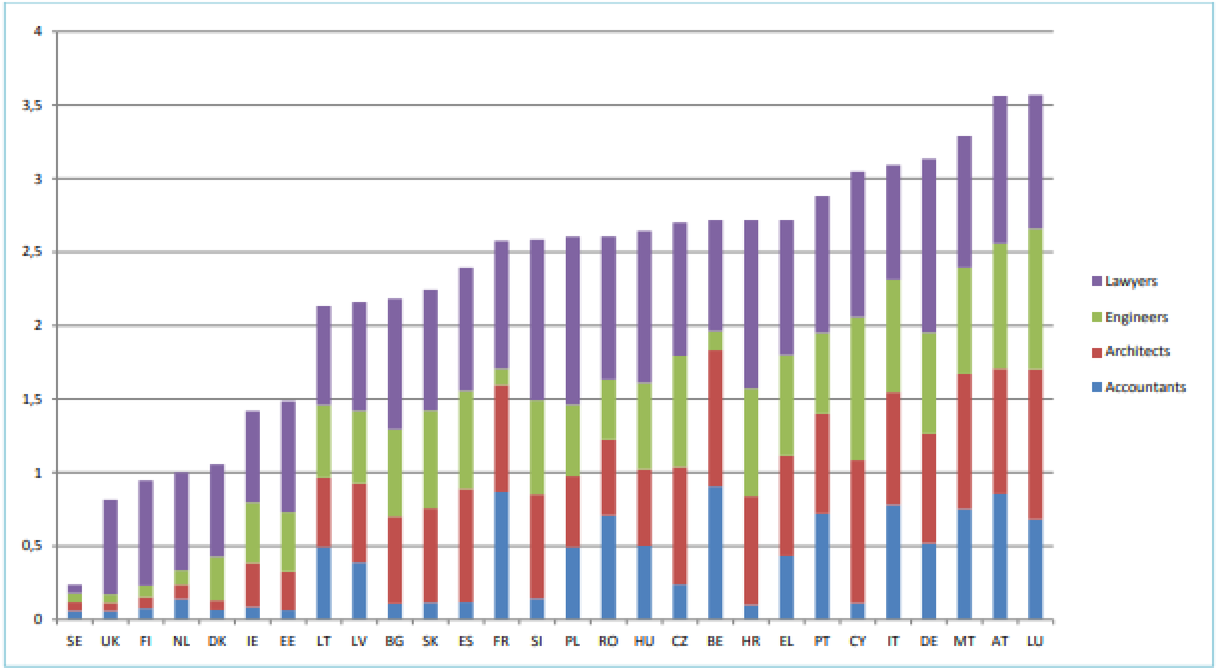
-Operational restrictions/Establishment Restriction

-Commission propose best practices for facilitating retail establishment /reducing operational restrictions in the single market

Cross-Examination of policies: State of play

- Persistent barriers in the services markets

Figure 5 — Overall restrictiveness scores per Member State (business services)



Source: European Commission, 'Business services — Assessment of barriers and their economic impact', 2015

Cross-Examination of policies: State of play

- Persistent barriers in the services markets

-Comprehensive Reforms

In **Estonia** -Economic Activities Code entered into force in 2014

-Provided that authorization and notification requirements do not apply to providers of cross-border services

In **Spain -** Principle of nationwide validity

Cross-Examination of policies: State of play

- **State of play in regulated professions**

-Indicator of the restrictiveness of the regulation of professional services

-Impact that reforms of the conditions for accessing and exercising

-In **Poland** -increase in the number of lawyers and legal advisers

-In **Germany** - more start-ups than companies going out of business

-In **Greece -** extensive legislative reform in 2011-lift restrictive regulations on entering and practising many professions

In **Italy -**annual exercise to further liberalize the economy-competition law-adopted in August 2017

Cross-Examination of policies: State of play

- **Retail sector**

-Reforms to remove certain establishment and operational restrictions - improve the functioning of the retail sector

-Simplify and streamline authorization procedures, shorten the authorization process and lessen the administrative burden on retailers establishing a shop

-Make operational conditions less stringent

-A number of restrictions remain in place and the level of restrictiveness still varies greatly from one Member State to another

-There is a trend in some Member States to introduce measures that in practice mainly affect foreign retailers.

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SMALL AND MEDIUM-SIZED ENTERPRISES' ACCESS TO FINANCE

Simeon Kotani

Introduction to SME-s

Access to finance is crucial for small and medium-sized enterprises (SMEs) for their growth and innovation.

The situation in EU has considerably improved over the last few years, as the percentage of SMEs with this concern went down from 16% in 2009 to 9% in 2016

The results differ from country to country. The highest proportion of SMEs specifying access to finance as the most important issue is in Greece and Cyprus (24% in both countries)

This financing problem is also reported by the smallest companies (10% of micro companies) and young high growth companies (13% of what are known as 'gazelles')

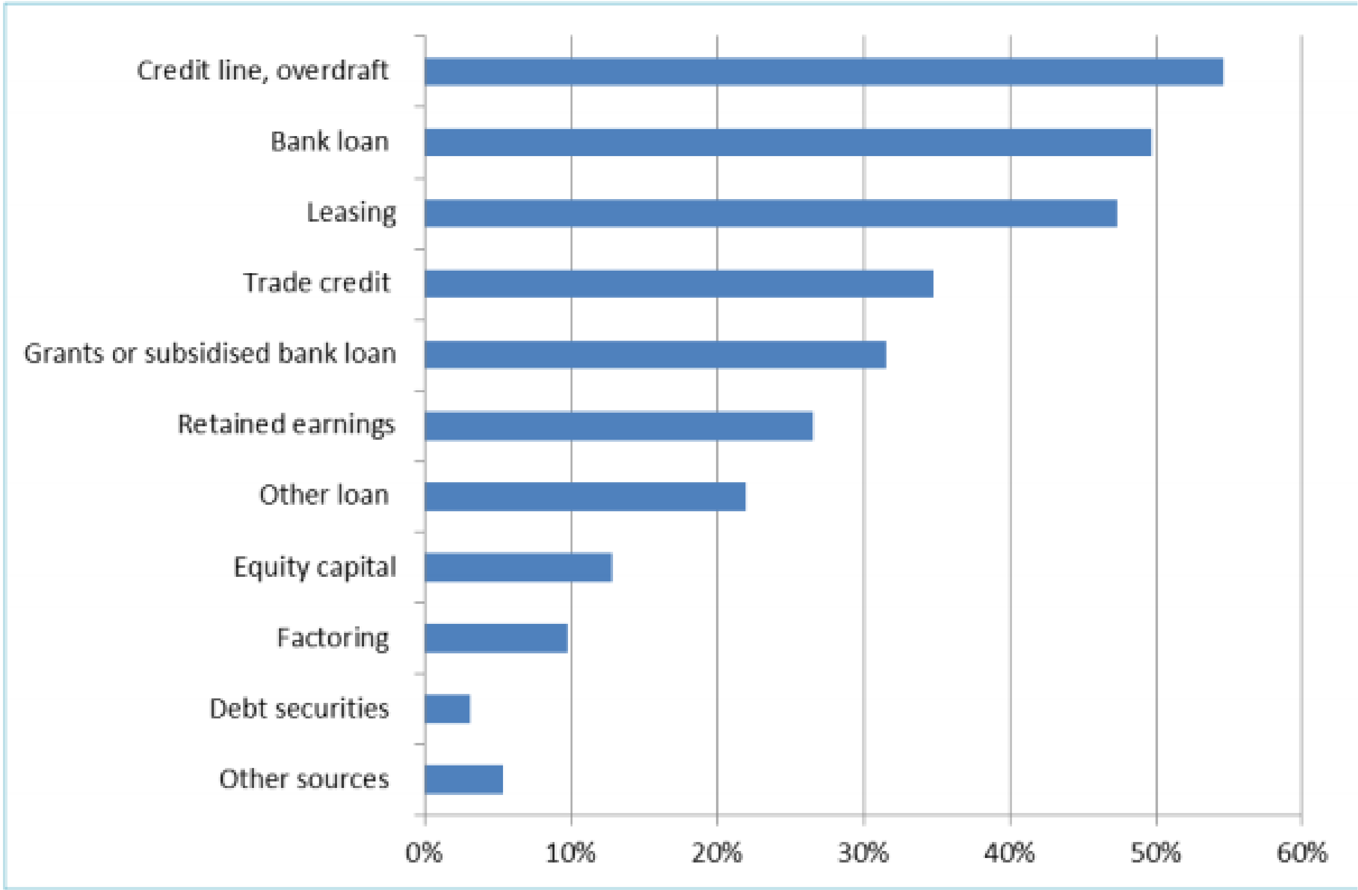
Differences in SME-s Financing

The relative size of the various funding sources used by companies;

The level of development of various types of financial institutions, e.g. banks, investment funds, insurance and pension funds;

The level of development of segments of financial markets such as the stock exchange, bond market and securitization markets.

The most important direct sources of external financing for SMEs are credit lines, bank loans and leasing



Source: European Commission/European Central Bank, 2015, Survey on the access to finance of enterprises (SAFE), 2016 results for the EU SMEs.

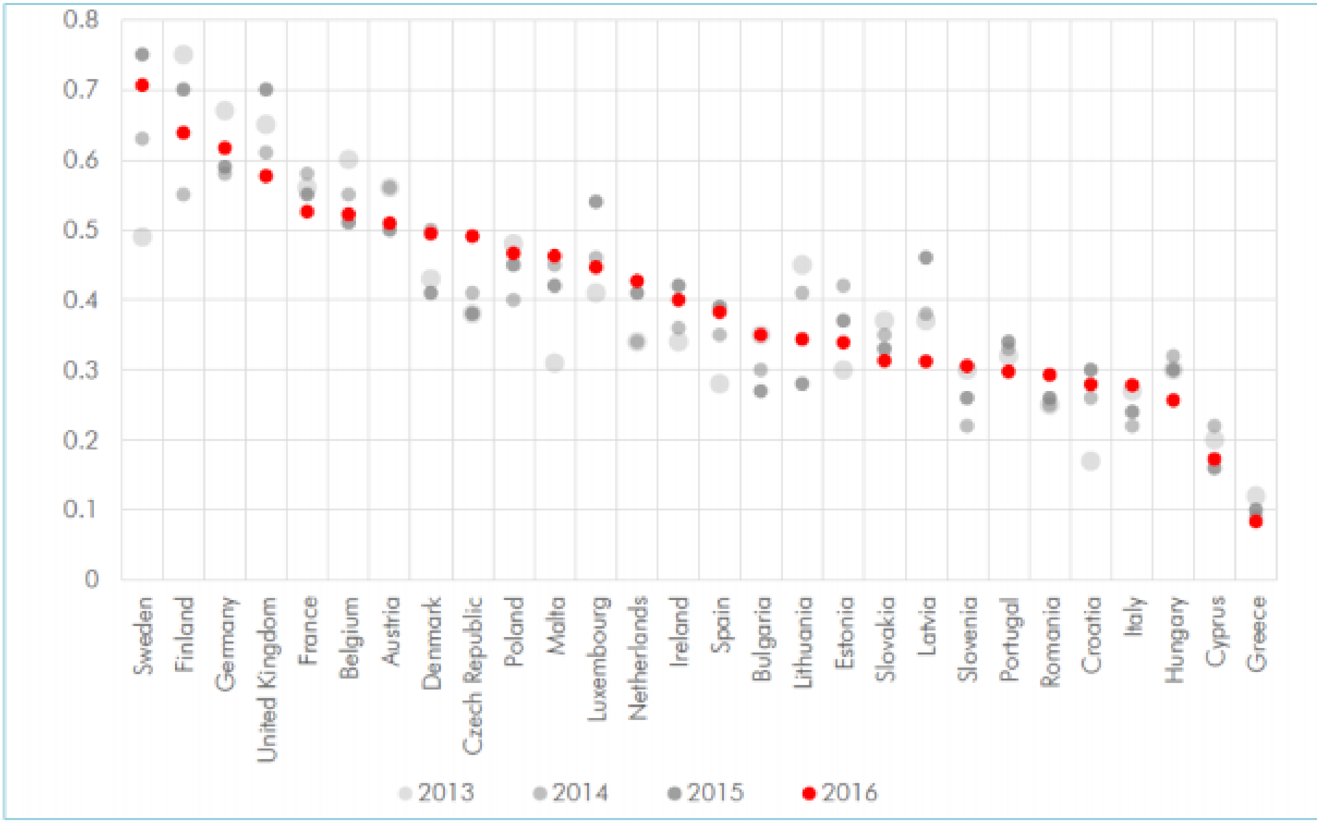
External sources of financing relevant for SMEs

POLICY CHALLENGES: SME ACCESS TO FINANCE MARKETS IN THE EU COUNTRIES

General funding ecosystem for SMEs

- The EU countries have taken several policy measures to improve SMEs' access to finance, with varying results.
- The latest figures4 allow for grouping the EU countries in three categories:
  - broadly in line with the EU average (+/- 0.5 standard deviation): Luxembourg, Bulgaria, Croatia, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Lithuania, Romania, Slovakia and Slovenia;
  - above the EU average: Belgium, Estonia, Finland, Latvia, Poland, Sweden and the UK;
  - below the EU average: Austria, Cyprus, Greece, Italy, the Netherlands, Portugal and Spain.

Result of the EIF SME finance index



Source: *EIF, 2017, European Small Business Finance Outlook, figure 8, p. 9.*

POLICY CHALLENGES: SME ACCESS TO FINANCE MARKETS IN THE EU COUNTRIES – cont…

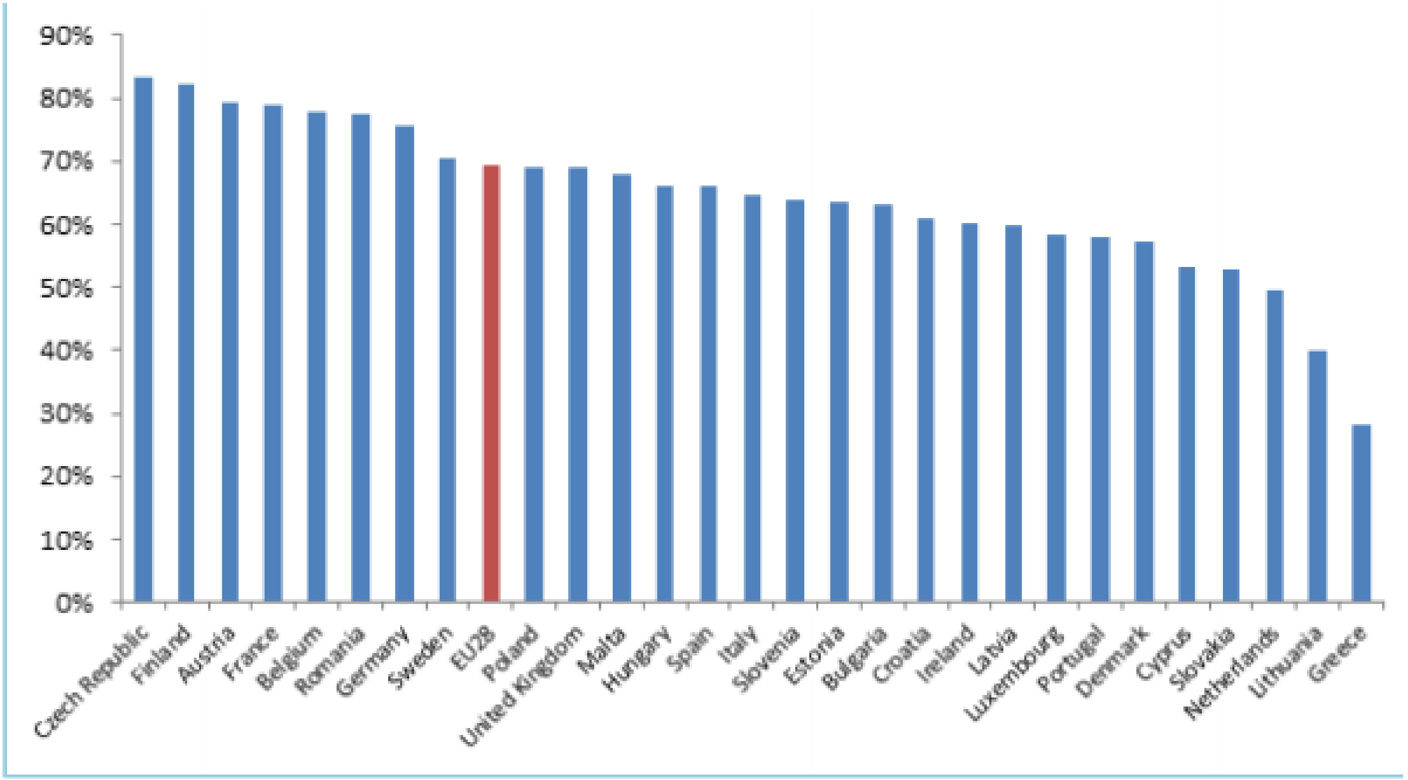
Banks are the largest financial intermediaries in all EU countries, although their relative importance varies significantly from one country to another.

On average, in 2016 SMEs perceived an improvement in the availability of bank financing alongside a decrease in interest rates.

The approval rate for SMEs' bank loan applications increased from 60% in 2014 to 70% in 2016 on average.

Yet rejection rates remain high in some EU countries such as Greece (20%) and Lithuania (20%), Latvia (20%) and the Netherlands (17%).

Bank loans-SMEs that applied for and obtained the entire amount requested (2016)



Source: SAFE (2016), ibid.

Other financing sources for SMEs

Venture capital, even if limited in all EU countries, is an important source of funding, especially for higher risk and innovative projects and companies.

Crowdfunding is an emerging source of financing involving open calls to the public, generally via the internet, to finance projects through donations or monetary contributions in exchange for a reward, product pre-ordering, lending or investment.

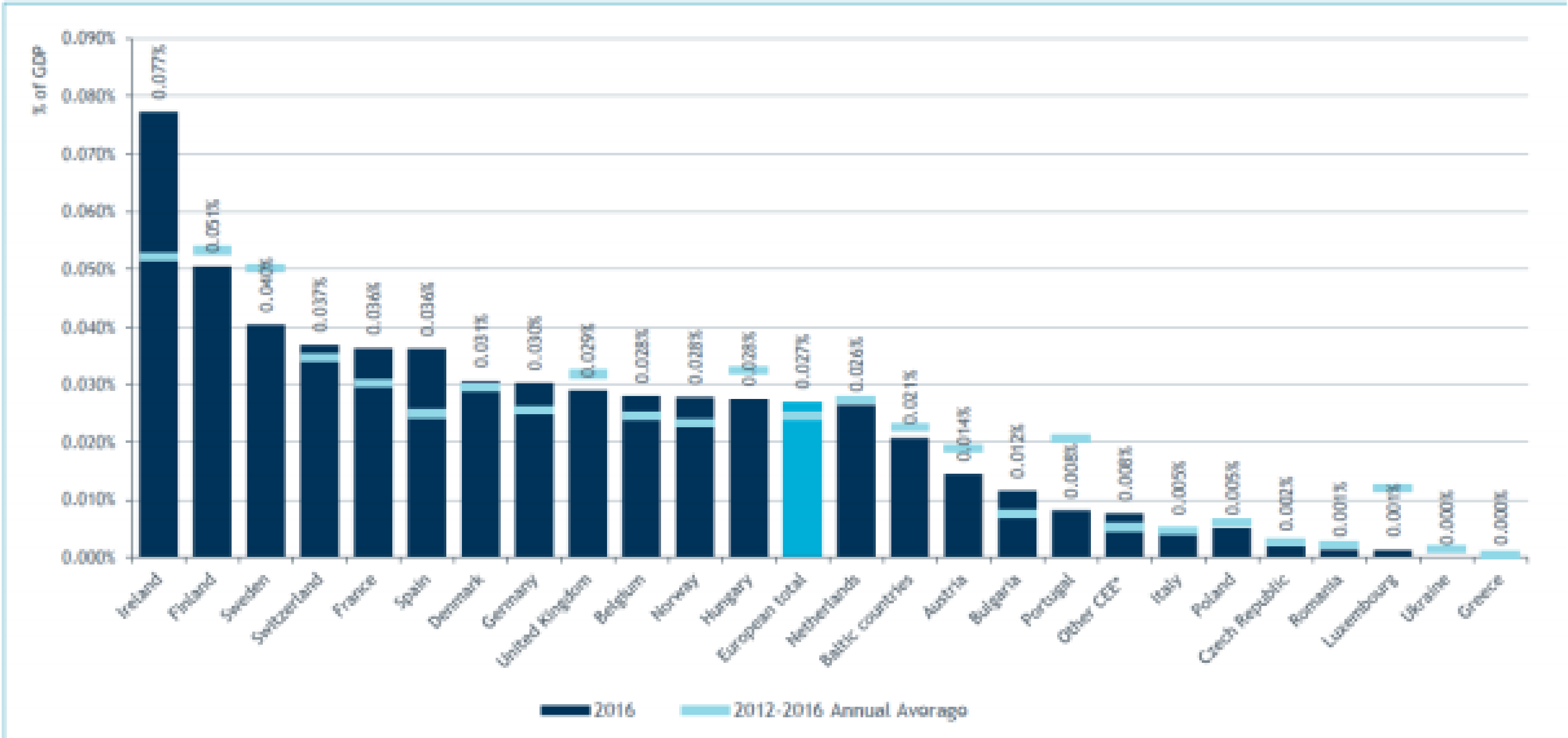
Business angels are private individuals, often of high net worth, and usually with business experience, who directly invest part of their personal assets in new and growing private businesses.

Securitisation is the process where a financial instrument is created, typically by a lender such as a bank, by pooling assets (for example SME loans) for investors to purchase.

Leasing, as a form of asset-based financing, is often a very attractive source of financing for SMEs to finance a wide range of asset types. Usually it does not require any supplementary guarantees or collateral.

Microfinance might be an additional financing source for existing microenterprises, but also for those who are eager to create a business in order to escape poverty or unemployment and contribute to job creation.

Corporate bond markets are relevant only for larger SMEs and more for midcaps or large companies. In all EU countries, corporate bond markets are smaller than stock markets.



Source: IMF, World Economic Outlook Database (GDP) / Invest Europe / EDC

Note: *Other CEE consists of Bosnia-Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, Slovakia, Slovenia

https://www.investeurope.eu/media/651727/invest-europe-2016-european-private-equity-activity-final.pdf

Venture capital investments as % of GDP, market statistics: location of the portfolio company

POLICY LEVERS TO ADDRESS THE CHALLENGES

On the lending side, the European banking sector is facing the huge challenge of non-performing loans (NPLs), which are weighing heavily on some national banking systems.

The small size and fragmented nature of the venture capital market in the EU makes it quite challenging to attract big investors to the sector.

In response to the rapid growth of crowdfunding in some Member States, those countries are taking steps to clarify the conditions for this new business model, sometimes through targeted legislation.

EU securitisation markets remain significantly impaired, damaged by concerns surrounding the securitisation process and the risks involved.

CROSS-EXAMINATION OF POLICY STATE OF PLAY

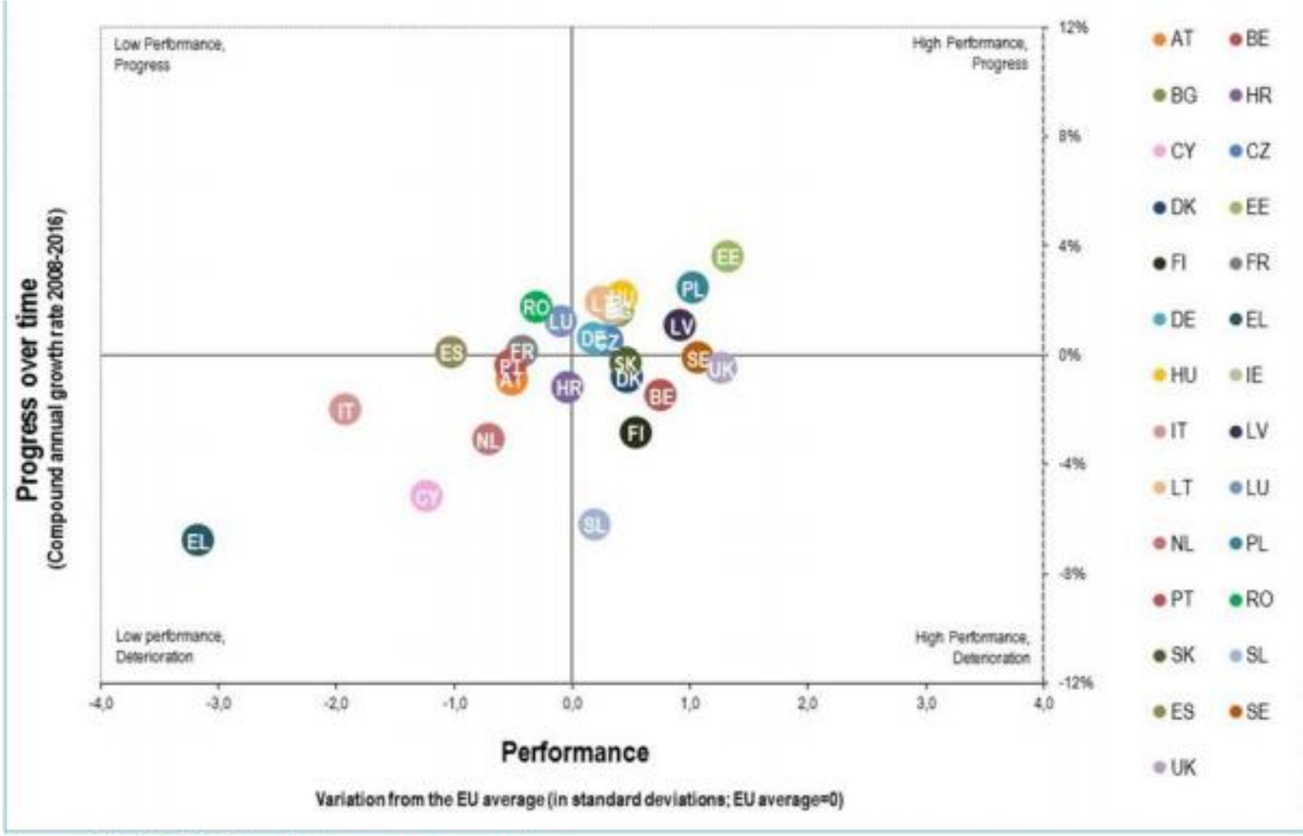
Most of the regulatory activity has taken place in those countries where bank lending to SMEs worsened more during the crisis.

Other and less widespread policy measures at national level have been implemented to:

- facilitate the securitisation of SME loans;
- boost the public venture capital sector (both through public venture capital funds that directly invest in young innovative companies, and through fund-of-fund instruments that invest in private venture capital funds);
- ease the access and transfer of financial information;
- further develop corporate bond markets and alternative markets for SMEs.

Public venture capital funds investing directly in companies exist in most Member States.

SBA factsheet recent performance and progress over time for SME access to finance (2008-2016)



Source: 2016 SBA factsheet, summary report.

Thank you ☺

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SIMEON KOTANI

THE OPTIMUM CURRENCY AREA THEORY CRITERIA VERSUS THE MAASTRICHT CRITERIA-(A COMPARISON)

THE OPTIMUM CURRENCY AREA

- (OCA) was developed in 1961

- It speculates that there is an optimum geopolitical area which should share a currency, but this geopolitical area doesn't necessarily correspond with national borders.

THE OPTIMUM CURRENCY AREA

- regions that share certain traits should also share a currency. Multiple countries, parts of multiple countries, or regions within a country may be suited to having their own currency.

- implementing currencies by geographic and geopolitical region, instead of by country, leads to greater economic efficiency.

- must meet four criteria to qualify, and some economists suggest a fifth.

CRITERIA

- A large, available, and integrated labor market which allows workers to move freely throughout the area and smooth out unemployment in any single zone.
- The flexibility of pricing and wages, along with the mobility of capital, to eliminate regional trade imbalances.
- A centralized budget or control to redistribute wealth to parts of the area which suffer due to labor and capital mobility. This is a politically difficult one, as wealthy parts of the region may not wish to distribute their surpluses to those that are lacking.
- The participating regions have similar business cycles and timing for economic data to avoid a shock in any one area

EXAMPLE

- the OCA theory was put to the test in 2010 as sovereign debt issues faced by many heavily indebted nations in Europe threatened the viability of the European Union, placing severe strains upon the euro.
- peripheral EU countries such as Ireland, Portugal, Spain, and Greece experienced slowing growth, lacked international competitiveness, and possessed a labor force which was unproductive
- As these economies slowed, private capital fled, some to other stronger eurozone economies, and some to other countries. Also, due to language, culture, and distance difficulties, the labor force in the eurozone is not fluid or mobile

MAASTRICHT TREATY

- A firm commitment to launch the single currency by January 1999 at the latest;
- A precise specification of central banking institutions
- Additional condition mentioned (e.g. the excessive deficit procedure)
- A list of five criteria for admission to the monetary union

CRITERIA

- Inflation not to exceed by more than 1.5% points to the average of the 3 lowest inflation rates among EU countries
- Long term nominal interest rates, not to exceed by more than 2% points the average interest rate in the 3 lowest inflation countries
- ERM membership
- Budget Deficit
- Public Debt

EXAMPLE

- In Denmark, for example, voters who were worried about infringements upon their country's sovereignty defeated a referendum on the original treaty in June 1992, though a revised treaty was approved the following May. Voters in France narrowly approved the treaty in September, and in July 1993 British Prime Minister John Major was forced to call a vote of confidence in order to secure its passage. An amended version of the treaty officially took effect on November 1, 1993.


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Competition policy(EU)

WORKED BY: TEA POJANI

Competition policy

Objectives

•The fundamental objective of EU competition rules is to ensure the proper functioning of the internal market

•Free and dynamic internal market and promoting general economic welfare.

Competition Policy Tools

A. Comprehensive ban on anti-competitive agreements

- all agreements between undertakings which have as their object or effect a distortion of competition and which may affect trade between Member States are prohibited and automatically void
- agreements on cost or risk sharing between companies, or on accelerating innovation through cooperation in research and development (R&D) could bring significant economic benefits
- Block Exemptions Regulations

Competition policy tools

B. Prohibition of abuse of a dominant position

If a company that holds a position of strength ('dominance') in a particular market were to abuse that position (e.g. by charging customers excessively high prices), it would cause harm to consumers and competitors alike

- the 2004 Microsoft Decision[5].

Competition policy tools

C. Merger control procedure

- Mergers or acquisitions can be beneficial for companies and the economy as a whole, as they can create efficiencies, synergies and economies of scale.

- Under Regulation (EC) No 139/2004,

Competition policy tools

D. Prohibition of State aid

- prevent distortions of competition in the internal market that could result from the granting of selective advantages to certain companies
- TFEU

COMPETITION POLICY TOOLS

E. Public services of general economic

- Such services are considered to be services of general economic interest (SGEIs) and are subjected to specific rules in the context of the EU State aid framework.
- SGEIs are economic activities of a particular importance for citizens and which would not be produced by market forces alone, or at least not in the form of an affordable service available indiscriminately to all

Enforcement

- Rigorous and effective enforcement of the EU competition rules is essential to ensure the achievement of the competition policy objectives.
- The Commission is the main body responsible for ensuring the correct application of these rules and has wide-ranging inspection and enforcement powers.

Role of the European Parliament

- Parliament (with ECON as the committee responsible) acted as co-legislator.
- Parliament is usually involved only through the consultation procedure.

- Parliament oversees the developments in competition policy and the Commission's work.

Conclusion

- Negative impact of such non-publication of the decisions on the awareness of business society and interest groups of the competition rules – scientific research in the area of competition policy is only possible to a limited extent.


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You

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The Optimum Currency Area Theory Criteria vs the Maachtrict Criteria (a comparison)

Worked by: TEA POJANI

What is the Optimum Currency Area Theory (OCA)?

- Optimum currency area theory (OCA) states that specific areas which are not bounded by national borders would benefit from a common currency.

- In other words, geographic regions may be better off using the same currency instead of each country within that geographic region using its own currency.

- OCA theory can benefit a geographic region by significantly increasing trade.

Four criteria for an optimum currency area:

- A large, available, and integrated labor market which allows workers to move freely throughout the area and smooth out unemployment in any single zone.
- The flexibility of pricing and wages, along with the mobility of capital, to eliminate regional trade imbalances.
- A centralized budget or control to redistribute wealth to parts of the area which suffer due to labor and capital mobility. This is a politically difficult one, as wealthy parts of the region may not wish to distribute their surpluses to those that are lacking.
- The participating regions have similar business cycles and timing for economic data to avoid a shock in any one area.

Costs of a currency area

- Diversity in a currency area is costly because a common currency makes it impossible to react to each and every local particularity.

- The theory of optimum currency areas (OCA) aims at identifying these costs more precisely.

- We proceed in three steps:
  1. define and examine the effects of asymmetric shocks;
  2. study the problems of asymmetric shocks in a currency area;
  3. examine how the effects of asymmetric shocks can be mitigated when national exchange rates are no longer available.

What Is the Maastricht Treaty?

- The Maastricht Treaty, known formally as the Treaty on European Union, is the international agreement responsible for the creation of the European Union (EU) signed in 1991 and which became effective in 1993. The European Union (EU) is a group of 28 countries that operates as a cohesive economic and political block. Nineteen of the countries use the euro as their official currency.

- The Maastricht Treaty, drafted in 1991, was responsible for the establishment of the European Union (EU).
- The EU is a European free trade and economic cooperation zone as well as shared political aims and European citizenship.
- The treaty created the Euro, which was intended to be the single common currency for the EU and monetary policy set by the European Central Bank (ECB).

Effects of the Maastricht Treaty and European Unionization

- The Maastricht Treaty had a few major areas of impact. One was citizenship. The treaty, in forming the European Union (EU), granted EU citizenship to every person with citizenship of a member state. It enabled people to run for local office and for European Parliament elections in the EU country they lived in, regardless of nationality.

- It also created a common economic and monetary union, with a central banking system and common currency (EUR).

- A major goal was greater policy cooperation and coordination more generally. The environment, policing, and social policy were just some of a number of areas in which the countries aimed to increase cooperation and coordination.

The Maastricht Treaty: Five Entry Conditions

1. Inflation: not to exceed by more than 1.5 percentage points the average of the 3 lowest inflation rates among EU countries

2. Long-term nominal interest rate: not to exceed by more than 2 percentage points the average interest rate in the 3 lowest inflation countries (long-term interest rates mostly reflect markets' assessment of long-term inflation)

3. ERM membership: at least 2 years in ERM without being forced to devalue

4. . Budget deficit: deficit less than 3% of GDP. Historically, all big inflation episodes born out of runaway public deficits and debts!

5. Public debt: debt less than 60% of GDP (average of countries).


Thank you!
grammarly