Dimension 2: Bankruptcy and second chance for SMEs in Albania

Overview of Albania's performance on Dimension 2

Albania scored 2.77 on Dimension 2 (Figure 1.3), which is a slight decrease from 2.98 in the previous cycle. It is below the regional average of 2.97, which also dropped from an overall score of 3.03. As in previous cycles, Dimension 2 remains among the economy's weakest areas, underscoring the need for more targeted policy action.

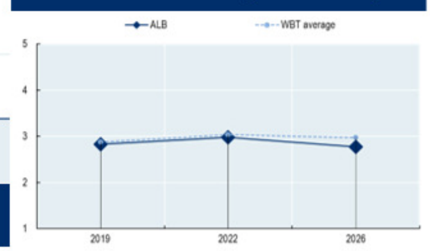
Figure 1.3. Overview of Albania's score on Dimension 2 and evolution since 2019

DIMENSION 2: Bankruptcy and second chance for SMEs

THEMATIC BLOCKS	SCORE	WBT AVERAGE
SUB-DIMENSION 2.1: Preventive measures	**2.86**	**2.61**
Design and implementation	2.90	2.92
Performance, monitoring and evaluation	2.82	2.30
SUB-DIMENSION 2.2: Survival and bankruptcy procedures	**2.93**	**3.31**
Design and implementation	4.38	3.95
Performance, monitoring and evaluation	1.48	2.67
SUB-DIMENSION 2.3: Promoting second chance	**2.20**	**2.30**
DIMENSION 2	**2.77**	**2.97**

2026 SCORE OVERVIEW

EVOLUTION OF SCORE (2019, 2022, 2026)



StatLink https://stat.link/uwjypx

Since 2022, Albania's score reflects limited progress in strategic planning to improve bankruptcy procedures pre- and post-insolvency. While design and implementation have improved on average across sub-dimensions, performance, monitoring and evaluation decreased, highlighting persistent weaknesses in policy follow-through and effectiveness assessment.

Sub-dimension 2.1: Preventive measures

Albania scored 2.86 on Sub-dimension 2.1 on preventive measures, down from 3.10 in 2022. Overall planning and design saw only minor improvement; progress on targeted policy action was limited; and monitoring and evaluation, which were weighted more heavily in this cycle, remain limited.

Albania's policies targeted at small and medium-sized enterprises (SMEs), including the Business and Investment Development Strategy (BIDS) 2021-2027, align with the EU Small Business Act principle of supporting entrepreneurs through bankruptcy. However, they still lack dedicated objectives or measures for insolvency prevention.

Preventive actions are implicitly embedded in general access-to-finance programmes, reflecting a broader emphasis on financial support rather than targeted early intervention. International donors and local institutions, such as the Albanian Investment Development Agency, offer support services, but none focus specifically on preventive insolvency resolution. In addition, SMEs must proactively seek assistance in the absence of a formal early warning system (EWS) (see Table 1.3). Additionally, the impact of awareness raising and outreach by such institutions and international organisations remains limited.

Table 1.3. Albania's implementation of the SME Policy Index's 2022 recommendations for Dimension 2, Sub-dimension 2.1

2022 recommendation	Main developments during the assessment period	Progress status	Way forward
Develop insolvency prevention policy measures, including a fully-fledged early warning system	Albania's SME-focused strategies, including BIDS 2021-2027, do not currently include insolvency prevention measures. While recent EBRD-funded initiatives, such as the 2025 SME Reboot Programme and the Youth in Business Programme, provide loans, grants and technical assistance, offering potential insights for shaping preventive policies, there have been no concerted government efforts to develop preventive bankruptcy procedures for SMEs or a fully-fledged early warning system. High-level buy-in exists, as reflected in the Investment Council's focus on improving general SME access to finance,[1] which could support the future prioritisation of preventive measures and the early warning system, but such measures remain absent.	No progress	See Cluster 2: "Fostering SME sustainability and resilience"
Further amend the regulation on accelerated extrajudicial reorganisation agreements	Albania has made no progress on preventive restructuring for SMEs. Current "one-size-fits-all" criteria, such as the requirement of imminent insolvency in the expedited reorganisation, might be overly restrictive and discourage early intervention. Many SMEs lack the resources or expertise to meet these formal requirements, delaying or preventing restructuring. No simplified preventive process is available for cases likely to face financial difficulty, nor are there incentives to encourage the extrajudicial voluntary agreement option for reorganisation, thereby further limiting early-resolution opportunities.	No progress	See Cluster 2: "Fostering SME sustainability and resilience"

Notes: BIDS: Business and Investment Development Strategy; EBRD: European Bank for Reconstruction and Development.
1. During the 12 November 2024 meeting, the Investment Council noted challenges with overdue loans becoming a concern for banks alongside persistent challenges in SME access to finance. Based on these assessments, the Council (2024[3]) recommended targeted measures to improve financing conditions, including better credit information systems, broader use of guarantees, and stronger co-operation between banks, government and business associations to make funding more inclusive and accessible.

While SMEs can access a fast-tracked out-of-court reorganisation procedure for imminent bankruptcy[2], including moratoria on secured creditors, provisions for securing new financing are lacking. Uptake of the simplified procedure is also estimated to be low, likely due to debtor-only initiation, and its use is not systematically monitored, hampering policy evaluation and underscoring the need for targeted measures and legislative refinement (see Table 1.3).

Sub-dimension 2.2: Survival and bankruptcy procedures

Albania scored 2.93 on Sub-dimension 2.2 on survival and bankruptcy procedures, down from 3.24 in 2022. The decline reflects ongoing gaps in the performance of streamlined insolvency procedures, as well as the continued absence of systematic monitoring and evaluation.

Albania's legal bankruptcy framework is comparatively advanced among the Western Balkan and Türkiye economies, incorporating cross-border and cross-class cramdowns, fast-tracked procedures, and strict creditor filing deadlines that can support SME survival and deter fraudulent claims. Recent reforms, although not SME-centred, such as strengthening licensing criteria for bankruptcy administrators, enhance procedural professionalism and trust.[3] However, certain legal provisions, such as permitting multiple reorganisation plan submissions, could continuously undermine efficiency (see Table 1.4).

Table 1.4. Albania's implementation of the SME Policy Index's 2022 recommendations for Dimension 2, Sub-dimension 2.2

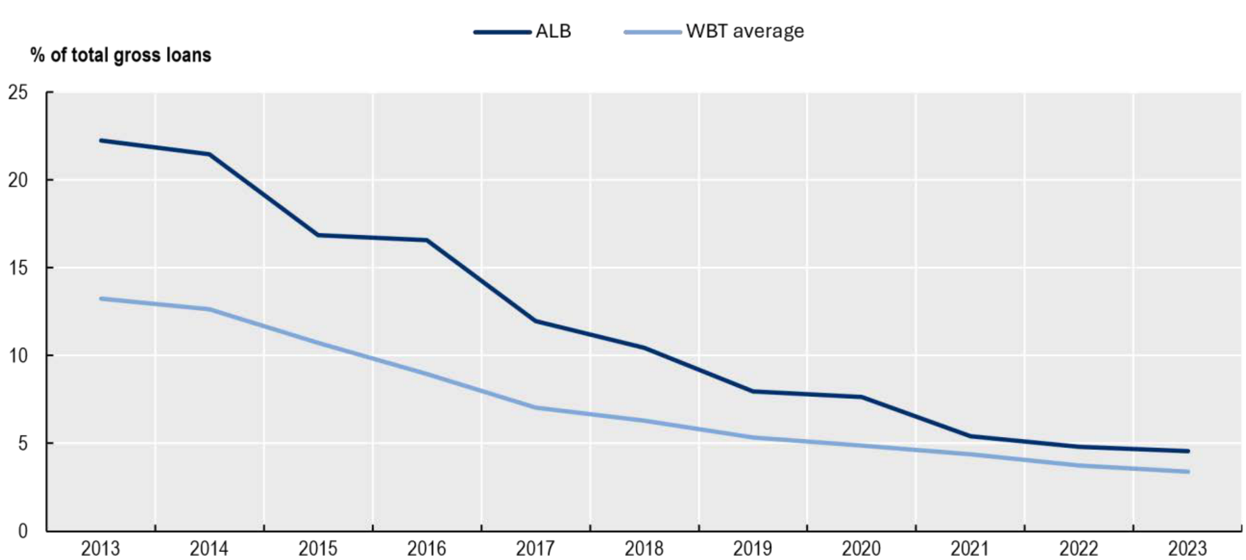
2022 recommendation	Main developments during the assessment period	Progress status	Way forward
Streamline liquidation processes by introducing digital tools	There has been no progress since 2022 in streamlining liquidation processes, and digital tools have not yet been introduced. Procedures remain largely manual, limiting efficiency and transparency in insolvency resolution, which could obstruct access for smaller businesses and reduce usability for creditors.	No progress	See Cluster 2: "Fostering SME sustainability and resilience"
Improve formal bankruptcy reorganisation proceedings	Formal bankruptcy reorganisation proceedings continue to permit multiple submissions of reorganisation plans, creating risks of prolonged cases and potential misuse. These legal shortcomings have not been addressed, leaving procedural inefficiencies unmitigated.	No progress	See Cluster 2: "Fostering SME sustainability and resilience"

Despite structural strengths, targeted SME bankruptcy measures and digitalisation initiatives are absent (see Table 1.4). Implementation evidence indicates partial effectiveness: non-performing loans declined to a record low but remain high compared to other WBT economies (see Figure 1.4); credit recovery remains low at 13% vs. around 40% on average in the European Union (CEPR, 2023[4]); and SME debt-service burdens eased slightly (Bank of Albania, 2025[5]).[4] These trends suggest some progress, but they are not systematically linked to policy interventions, especially as SME-disaggregated data are not available.

Monitoring and evaluation mechanisms are patchy. The Bankruptcy Agency website is non-functional, and the most recent data on procedure duration are from 2019.[5] The absence of timely, SME-specific statistics constrains the ability to identify gaps, evaluate policy impact and guide strategic reforms.

Figure 1.4. Key statistics for Sub-dimension 2.2 on survival and bankruptcy procedures, Albania and other WBT economies, 2013-2023

Bank non-performing loans to total gross loans (%)



Note: No data available for Serbia.
Source: World Bank (2025[6]).

Sub-dimension 2.3: Promoting second chance

Albania scored 2.20 on Sub-dimension 2.3 on promoting second chance for SMEs, up from 2.00 in 2022. The increase reflects implementation of donor-supported second-chance programmes, despite ongoing delays in policy planning and design. No government-led monitoring or evaluation mechanisms are yet operational.

Second-chance policies remain absent from Albania's SME support framework. Legal provisions can place undue burdens on debtors, limiting opportunities for a fresh start and reinforcing cultural stigma around business failure (see Table 1.5). Key gaps include the absence of a maximum discharge period and the lack of a legal distinction between fraudulent and honest bankruptcies, although structured proceedings and court-appointed administrators help mitigate fraud risks to some extent.

Table 1.5. Albania's implementation of the SME Policy Index's 2022 recommendations for Dimension 2, Sub-dimension 2.3

2022 recommendation	Main developments during the assessment period	Progress status	Way forward
Promote second chance to honest entrepreneurs	Existing legal and administrative barriers, including court-imposed civil, economic, and privacy-related restrictions on debtors, though temporal and proportional, remain unaddressed in a way tailored to SMEs, potentially reinforcing stigma around business failure and placing undue burdens on smaller enterprises. Despite international evidence showing targeted second-chance programmes can be effective, Albania's policies still lack a strategic focus on SME recovery and restart after insolvency.	Limited	See Cluster 2: "Fostering SME sustainability and resilience"

Still, progress has been made in implementation between 2022 and 2024. The United Nations Development Programme (UNDP) Economy Recovery and Resilience programme supported 165 SMEs in post-crisis recovery and operational upgrades.[6] The government also reports its potential capacity to support second-chance initiatives in the coming period.

However, without a formal strategic framework, it will remain challenging to establish systematic monitoring and evaluation to assess SME needs, guide policy adaptation and ensure effective design and delivery of second-chance measures.