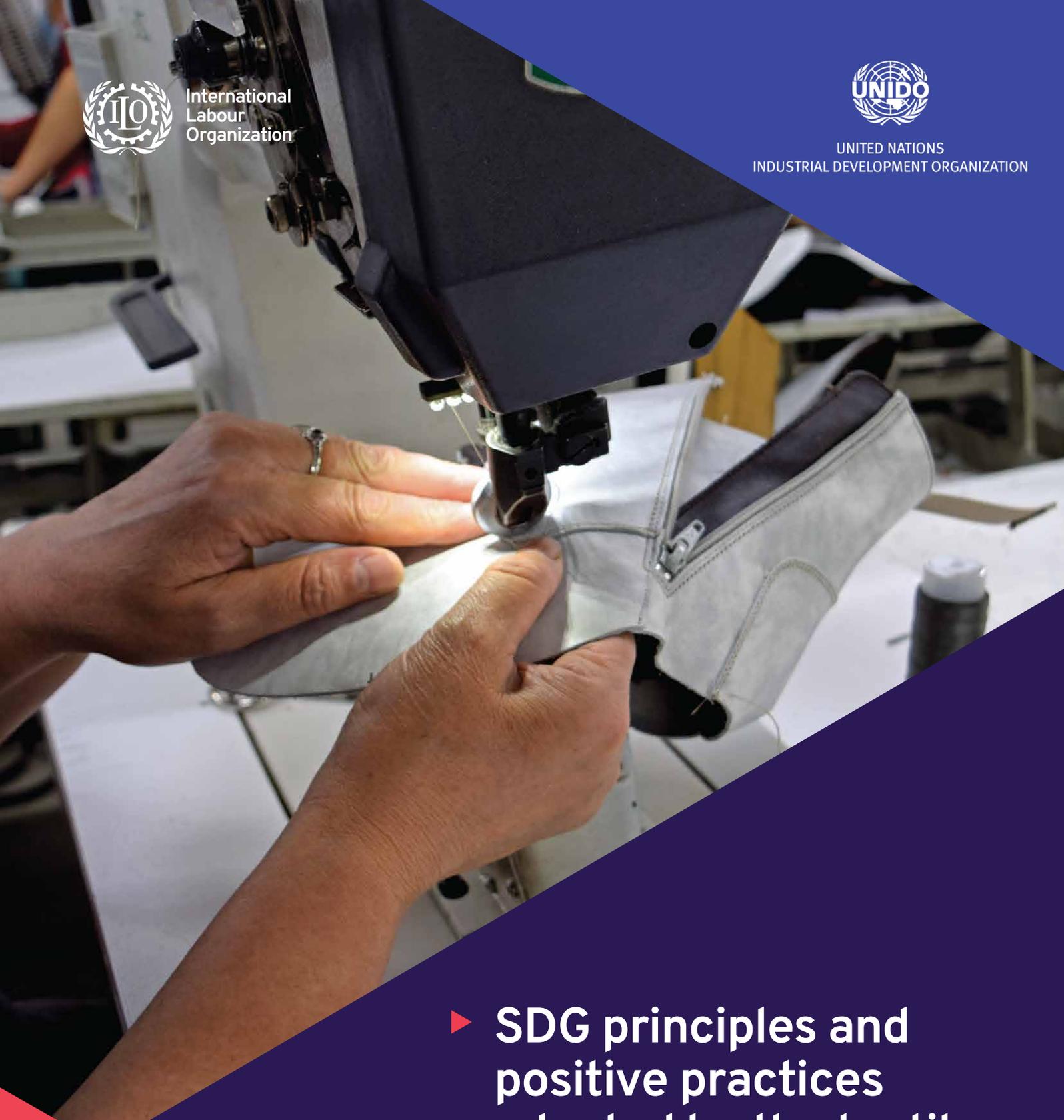International Labour Organization

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

▶ **SDG principles and positive practices adopted by the textile, clothing, leather, and footwear sector in Albania**

▶ SDG principles and positive practices adopted by the textile, clothing, leather, and footwear sector in Albania

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▶ List of acronyms

Acronym	Explanation
AIDA	Albanian Investment and Development Agency
CE	Circular economy
CMT	Cut, make, trim
EC	European Commission
ESG	Environment, Social, and Governance
EU	European Union
FP	Full package
FDI	Foreign Direct Investment
GVC	Global Value Chain
ILO	International Labour Organization
INSTAT	National Statistical Institute of Albania
NAES	National Agency for Employment and Skills
NSDI	National Strategy for Development and Integration
ProExport Albania	Association of Garment and Footwear Enterprises
RECP	Resource Efficient and Cleaner Production
OSH	Occupational Safety and Health
SCORE	Sustaining Competitive and Responsible Enterprises
SDG	Sustainable Development Goal
SME	Small and Medium-sized Enterprises
UN	United Nations
UNIDO	United Nations Industrial Development Organization

▶ Acknowledgements

1

1. Executive summary

Integration into the European Union (EU) is one of the most important ways of achieving political and economic stability in Albania. Since 2014, when Albania acquired EU candidate status, the country has successfully implemented major legal and policy initiatives in all economic sectors, including manufacturing, with a special focus on textiles, clothing, and leather and footwear. In July 2022, the European Commission (EC) announced the opening of accession negotiations with Albania.

The progress achieved towards EU membership has been accompanied by implementation of sustainable development reforms in the Albanian economy, currently driven by sectors such as the textiles, clothing, leather and footwear. Within the past decade, the textile, clothing, leather and footwear (TCLF) sector in Albania has repositioned itself to reflect market developments, managing to improve Albania's trade balance and to reduce the market share of imported ready-to-wear garment and footwear products.

Opening of negotiations for EU membership requires the implementation of additional reforms to foster integration into the global economy as a major development path for sustainable growth. The promotion of good practices in this sector is intended to align operations with the UN's Sustainable Development Goals (SDGs) and with new trends in sector such as the "circular and sustainable fashion" strongly promoted in Northern European countries.

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. Albanian enterprises have shown steady improvements in the application of new organizational structures, employee cantered workforce management practices, and application of occupational safety and health standards aligned with relevant practices promoted under SDGs. On the other hand, limited progress has been made with material sourcing, testing, research and development, application of new technologies, and recycling.

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 (working conditions, productivity, occupational safety and health), support the transition to formality and fill existing sector gaps regarding waste collection, separation, recycling, energy efficiency, and water treatment.

2

2. Introduction

After the fall of the Communist regime in the 1990s, Albania experienced a major economic transformation, switching from a closed centralized economy into an open market economy. In the early 1990s, state-owned enterprises were privatized and production in the textile, clothing, leather and footwear sector underwent significant change. Albania is no longer considered a mass producer of textile raw materials such as natural fibres, yarns, fabrics, or knitwear. The textile, clothing, leather and footwear sector before the 1990's was self-sustained as the whole production cycle was located in the country. Manufacturing included design of clothes and national distribution. However, the "golden age" of the textile, clothing, leather and footwear sector was over and de-industrialization commenced.

In the early 1990s, manufacturers in the textile, clothing, leather and footwear sector used the Façon Manufacturing Modality[1] (Inward Processing Regime) and continued to produce ready to export goods for Western European brands. The repositioned sector has adjusted itself relatively quickly to world markets, and growth has begun to accelerate within the past decade. The business model of importing materials and turning them into ready-to-wear garments or footwear for re-export still dominates the sector. However, several Albanian enterprises have been able to diversify provision of services within the sector, increase the volume of contracts and implement a closed production cycle model. More and more local enterprises are abandoning the cut-make-trim (CMT) model, offering a complete full-package service for foreign customers (in France, Italy, the Netherlands, and Germany). A growing number of enterprises have the capacity to produce according to the full-package (FP) or own-brand (OB) business models.

The Covid-19 pandemic heavily affected the textile, clothing, leather and footwear sector. Lengthy lockdowns, closure of stores, wage cuts, uncertain consumer demand, workplace on-site restrictions and shortages of raw materials triggered supply-side disruption. In 2021, however, the sector experienced a rapid revival, due both to an economic recovery, mainly in major European export markets, and the application of agile production strategies during the pandemic. The Covid-19 pandemic–induced supply chain disruptions encouraged Albanian manufacturing enterprises to reassess their value chains, making them more resilient to similar disruptions in future. During the pandemic global value chains (GVCs) in the textile, clothing, leather and footwear sector experienced geographic reallocations and a reconfiguration of sourcing production arrangements. In parallel, the sector suffered from disruption in the interconnectedness and dependency between key players and secondary actors along value chains. These new post-pandemic trends are bringing new opportunities for Albanian enterprises as a gradual reshoring or 'near shoring' of production activities from the Asian continent to Albania and other Western Balkan economies is occurring. These occurrences have changed the nature of this sector's competitiveness as the business model shall no longer be dependent on low wages and unskilled labour. The need for sustainable practices is expected to benefit from the restructuring of the sector, division of production modalities, and decent working conditions. On the long run, low wages cannot be the unique selling point. Albanian industries should develop business models which earn a fair share of the final price of products. National activities are needed to support companies in this respect on all levels.

Given Albania's small domestic economy, integration into global value chains is a crucial growth path. In this regard Albania could intensify efforts to strengthen the quality infrastructure necessary for the

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1 Inward processing allows imported raw materials or semi-manufactured goods to be processed for re-export.

free movement of goods, enabling Albanian enterprises to export finished goods in the global market in line with the rules of the EU single market. As the sector is one of the four most important sectors in the Albanian economy, it needs to be developed in a sustainable way, converging with EU market regulations, standards related to quality management, safety and health regulations, energy efficiency, and waste management.

The International Labour Organization (ILO) and the United Nations Industrial Development Organization (UNIDO) have joined forces to prepare this report with the ultimate objective of promoting sustainable practices in the global textile, clothing, leather and footwear sector in general and Albania's sector in particular. Promotion of good practices in the textile, clothing, leather and footwear sector aims to align operations with the SDGs and production with new trends emerging since the Covid-19 pandemic, such as "circular and sustainable fashion".

The application of good practices and the embrace of new trends is an opportunity for textile, clothing, leather and footwear enterprises in Albania to benefit from new partnerships in the EU market, especially with countries such as Sweden that display an increasing awareness of the environmental and social impact of what they buy and consume. Such partnerships open additional channels for knowledge transfer and niche creation, improving the potential for market exploitation as dominant ready-to-wear garment and footwear suppliers to the EU market.

In addition, this report aims to raise awareness of SDGs and ways in which enterprises will benefit from environmental, social, and governance (ESG) aspects of their implementation in Albania. SDGs provide a critical window of opportunity to rethink the role of key economic actors in the recovery process. In addition to offering a wealth of expertise and disruptive innovation, enterprises in the textile, clothing, leather and footwear sector will help to mobilize much needed capital in support of SDGs, specifically SDGs 8, 9, and 12,[2] while reorienting their strategies to create value not just for their shareholders, but for society at large.

The main findings and results of this report will facilitate inter-sectoral cooperation, while also supporting the textile, clothing, leather and footwear sector in the delivery and monitoring of social and environmental impacts. Sweden is seen as a model in this respect because it has been in the frontline of efforts to link SDGs and private sector development. Spreading good practices will lead to better understanding and engagement of private sector on the implementation of SDGs and will help to identify opportunities to co-design and pilot solutions in the textile, clothing, leather and footwear sector.

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2 SDG 8 "Decent Work and Economic Growth"; SDG 9 "Industry, Innovation and Infrastructure"; SDG 12 "Responsible Consumption and Production".

3

3. Recent economic trends in the Albanian economy

In recent years, Albaniaś economic performance has benefited from progressive reforms and some large investments in infrastructure and renewable energy. However, despite a robust average GDP growth of 3.4 per cent between 2015 and 2018, the economy remains highly vulnerable to foreign demand shocks and natural hazards. Albania has suffered two shocks with devastating consequences: the earthquake in November 2019 and the Covid-19 pandemic in spring 2020, which froze a large part of the economy. Currently, the Albanian economy is trying to mitigate the high inflationary trends resulting from the war in Ukraine. Despite adversity, the real GDP growth rate in Albania increased by 5.5 per cent from 2017 to 2018 and by 8.3 per cent from 2017 to 2019. Within this time frame the textile, clothing, footwear and leather sector contributed approximately 3.7 per cent to GDP.

▶ **Table 1: Albania's GDP for 2017–2021**

Category (Million/EUR)	2017	2018	2019	2020*	2021**
Gross domestic product for Albania	12,922	13,639	14,099	13,701	15,749
Gross domestic product for total sector	1,450	1,677	1,699	1,509	1,935
Gross domestic product for manufacturing sector	796	837	882	827	981
Gross domestic product for the textile, clothing, footwear and leather sector	272	305	308	269	N/A
Gross domestic product for the textile, clothing, footwear and leather sector (% of national GDP)	2.11%	2.24%	2.19%	1.96%	N/A
Gross domestic product for the textile, clothing,footwear and the leather sector (% of manufacturing GDP)	34.19%	36.46%	34.93%	32.48%	N/A

Note: 2020 * Semi-final annual estimation of GDP.
            2021 ** Estimations based on quarterly estimates of GDP.
Source: National Statistical Institute (INSTAT).

The Covid-19 pandemic forced lockdowns in key economic sectors. Disruption of business activities scaled back operations in value chains, shrinking manufacturing activity. Growth slowed to 2.19 per cent in 2019 as a drought slashed hydropower production and a devastating earthquake hit Albania in November 2019. Also, in 2020, GDP suffered a decline of 3.48 per cent compared with the previous year because of the global Covid-19 pandemic. The share of the textile, clothing, footwear and the leather sector in Albania's GDP and that of manufacturing sector remains within the same levels, with slight fluctuations resulting from the interruption in production during the pandemic (see table 1).

To continue, employment rates fell significantly, and external and fiscal balances deteriorated. Authorities reacted to mitigate the effects of the pandemic crisis, with credit guarantee lines and increasing social transfers. Recovery trends in the economy became apparent in 2021, as EU economies started their gradual recovery. Despite COVID-19, the banking sector remains liquid and well capitalized, supported by borrower relief and prudential measures taken by the Central Bank. However, the uncertain economic recovery and increasing number of distressed borrowers highlight potential spillover 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, footwear and leather sector experienced a significant downturn between 2019 and 2020. This significant drop reflects the suspension of production activity and the strong fluctuations in the levels of output during the pandemic. These fluctuations result from cancellation of orders and the reduction in the consumption of related industry final goods (see Table 2).

▶ **Table 2: Real gross domestic product growth for Albania, total sector, manufacturing sector, and the textile, clothing, leather and footwear sector, 2017–2021**

Real growth (%)	2017	2018	2019	2020*	2021**
Real growth of gross domestic product for Albania	3.80	4.02	2.09	−3.48	8.52
Real growth of gross domestic product for total sector	−1.71	15.70	3.00	−9.48	13.48
Real growth of gross domestic product for manufacturing sector	12.43	6.26	5.60	−6.12	16.47
Real growth of gross domestic product for the textile, clothing, footwear and leather sector	13.37	14.16	1.05	−13.46	N/A

Note: 2020 * Semi-final annual estimation of GDP.

2021 ** Estimations based on quarterly estimates of GDP.

Source: National Statistical Institute (INSTAT).

Several reforms and measures are under way to improve the business environment, to increase registration of enterprises, to declare more workers, to improve tax collection, and to grant fiscal amnesties. However, to have a private sector that steadily contributes to sustainable economic development it is important to formalize the Albanian economy through efforts that go beyond mere registration or social contribution declarations.

4

4. Overview of the textile, clothing, leather and footwear sector

▶ 4.1 General overview

With the onset of the 1990s and the establishment of the market economy, the textile, clothing, leather and footwear sector in Albania was repositioned. The sector has managed to improve Albania's import–export balance and to reduce the market share of imported ready-to-wear garments and footwear. After the 1990s, enterprises dealing with gathering skins for production of leather products and footwear were also privatized and were unable to maintain the same production activity. In fact, the leather and footwear sector in Albania almost collapsed between the early 1990s and 2003. Although it took longer than the textile and clothing sector to adapt to the new economic reality, the leather and footwear sector experienced very rapid development in the 2000s (this sector' exports doubled in the period 2005 to 2015 alone).

During the Covid-19 pandemic, most textile, clothing, leather and footwear enterprises were operating at half capacity. This was due to restrictive measures to deal with the pandemic in the largest European economies in which "Made in Albania" goods are traded. Many enterprises in the textile and footwear sector worked under pressure, developing new survival strategies while at the same time laying the foundations for new beginnings, providing additional opportunities to inward processing enterprises for long-term sustainable growth. During the Covid-19 pandemic, the dependency on Italian customers became visible. To shift from this monopoly, new trading partners were identified, and the manufacturing of goods diversified, diminishing the dependence on the Italian monopoly.[3] The demand from the Italian market has maintained operations in the textile, clothing, leather and footwear sector without terminating the production cycle, despite the drop in orders during the pandemic.

Albanian manufacturers must consider and access alternative sales destinations, such as the Nordic European countries, Arab countries, and the regional Western Balkan market.[4] Positive developments were triggered by the relocation of sales from Italy to other western European countries such as Germany, Belgium, and France. Exports to these countries have grown, paving the way for stable and long-term contracts in the future. However, trade with Italy is instigated mainly by that country's favourable geographical location and the presence of a similar cross-cutting social culture has generated steady demand.

The uncertainty created by the pandemic has awakened some enterprises, which have already signed stable contracts with other European countries, or with geographically more distant markets. Previous research conducted by the ILO[5] identified that several enterprises in the sector have delivered contracts for export of medical clothing to the United States and the supply of footwear to

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3 In 2021, Italy accounted for 78.4 per cent of exports in the sector.

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4 Jolta Kacani: A Data-Centric Approach to Breaking the FDI Trap Through Integration in Global Value Chains
A Case Study from Clothing Manufacturing Enterprises in Albania (Springer International, 2020).

5 ILO Unpublished Working Document: Feasibility Study: Roadmap towards a sectoral RPL System: A Skills and Attitudinal Testing System in the Albanian Garment Sector.

Japan. After the ending of lockdowns and reopening of economic activity the inward processing regime sector began to recover from the damage caused by the closure of borders and has been regaining full production capacity. Despite promising sector trends, investments in new technologies, additional know-how and – for example, – licenses and certifications in the textile, clothing, leather and footwear are subject, for the majority of enterprises, to financial constraints, continuing the uncertainty despite positive developments. The level of investment in new technologies, machinery, and production lines is moderate, making the textile, clothing, leather and footwear sector into one with limited expansion capacity in growing production volumes. Albanian manufacturers hesitate to upgrade technology because they are unable to obtain a return on investments without increasing prices, thereby threatening their competitiveness.

The findings of several surveys undertaken by UNIDO[6] in early 2022 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. These surveys identified 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 favour production in nearby locations, in response to increasing manufacturing costs in Asia and higher transportation prices. Currently, well-known international brands, such as Clarks, Geox, Dolce Gabbana, Versace, Max Mara, and Tommy Hilfiger, are placing additional orders with Albanian enterprises 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. Young workers tend to shy away from the sector as it is known for paying low wages, while offering poor working conditions. On the other hand, the high demand for production is pushing and motivating enterprises to improve and align work force management in the sector with best practices advocated by SGDs, such as increased interaction with management, a functional grievance mechanism, and compensation for overtime.

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 compliant with SDGs need to be embraced. The key indicators and trends for the textile, clothing, leather and footwear sector are presented below, based on the latest available data obtained from the National Statistical Institute (INSTAT).

▶ 4.2 Enterprises in the textile and footwear sector

According to official national statistics in 2021, 48.4 per cent of legal enterprises operating in Albania are registered as physical persons with Albanian ownership. The private sector in Albania is dominated by small and medium-sized enterprises (SMEs). There are 827 active enterprises operating in the textile, clothing, leather and footwear sector, down by 6 per cent compared with 2020. In addition, 34 per cent of enterprises in the sector have 1–4 employees, while 30 per cent are categorized as large enterprises with more than 50 employees.

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6 https://iap.unido.org/articles/near-shoring-likely-increase-after-covid-19

Due to the increase in orders since the pandemic, enterprises in the sector have expanded operations and workforces. Enterprises with a workforce of 5–9 employees increased by 37 per cent and those employing 10–49 people by 14 per cent. On the other hand, the number of enterprises with up to four employees fell by 22 per cent in 2021 (see Tables 3 and 4).

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 (see Table 5).

▶ **Table 3: Active legal enterprises according to size and economic activity, Albania, 2020–2021**

Economic activity	2020					2021				
	Total	1–4	5–9	10–49	50+	Total	1–4	5–9	10–49	50+
Active legal units in Albania	166,386	149,772	7,583	7,052	1,979	181,549	164,481	8,247	6,862	1,959
Total number of enterprises in sector	8,787	6,209	959	1,169	450	8,143	5,598	1,010	1,099	436
Manufacturing sector	7,984	5,701	846	1,015	422	7,381	5,110	884	976	411
Textile, clothing, footwear and leather sector	879	362	59	192	266	827	281	81	219	246

Note: Legal units also include farmers.
Source: Business Registry, National Statistical Institute (INSTAT).

▶ **Table 4: Active legal enterprises by legal form and economic activity, 2020–2021**

Economic activity	2020				2021			
	Total	Farmers	Physical person	Legal person	Total	Farmers	Physical person	Legal person
Albania	166,386	49,053	88,243	29,090	181,549	62,922	88,007	30,620
Total sector	8,787	N/A	5,737	3,050	8,143	N/A	5,135	3,008
Manufacturing sector	7,984	N/A	5,511	2,473	7,381	N/A	4,916	2,465
Textile, clothing, footwear and leather sector	879	N/A	262	617	827	N/A	233	594

Note: Legal units also include farmers.
Source: Business Registry, National Statistical Institute (INSTAT).

▶ **Table 5: Active registered enterprises by ownership and economic activity, 2020–2021**

Economic activity	2020				2021			
	Total	Albanian	Foreign	Joint (Albanian & foreign)	Total	Albanian	Foreign	Joint (Albanian & foreign)
Albania	166,386	160,351	4,433	1,602	181,549	174,914	5,250	1,385
Total sector	8,787	8,041	513	233	8,143	7,415	493	235
Manufacturing sector	7,984	7,349	440	195	7,381	6,756	425	200
Textile, clothing, footwear and leather sector	879	631	190	58	827	598	163	66

Note: Legal units also include farmers.
Source: Business Registry, National Statistical Institute (INSTAT).

In Albania the 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. Previous studies[7] indicate that female workers in the sector, especially sewing operators, are young and low-educated. The average age of a female worker in the textile, clothing, leather and footwear sector is 32 years. However, given the current labour shortages and the intense competition for workers within the sector, enterprises are more open to female workers of 40 years of age, even without prior experience or training. Only 5 per cent of the female workforce has a university education, 20 per cent have only a secondary education, while almost 75 per cent of them have completed only primary education.

Wages in the textile, clothing, leather and footwear sector are still among the lowest in Albania and have consistently been at the level of the minimum wage. They do not provide subsistence level income for a typical four-member Albanian family. Wages in the sector are determined according to individual employment contracts and are calculated based on the minimum wage, which is currently around €250. However, some operations such as cutting, machine maintenance and repair, and experienced sewing operators tend to receive higher wages as they are better trained, better skilled, and more productive.

Even though policies and reforms in Albania advocate gender equality, the national statistics indicate that male workers are still paid more than female ones. In 2021, males working in the textile, clothing, leather and footwear sector were paid on average 44 per cent more than female ones and 36 per cent more than the average national wage. National statistical data shows that wages for female workers in 2021 were 6.31 per cent less than the average national wage. A similar trend was observed also in 2019 and 2020 (see Table 6).

The wage difference between male and female workers results from two main trends in the textile, clothing, leather and footwear sector. First, male workers are employed mainly as technicians and engineers to oversee machine maintenance and production processes. As there are few local machine

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7 http://skillsforjobs.al/wp-content/uploads/2016/07/Textile-and-Garment-sector-study-English.pdf

specialists the competition is high to hire them, thus boosting their compensation. Additionally, male workers are usually placed within enterprises in positions such as general manager, administrator, inventory manager, logistics manager, and so on, that require different sets of skills and level of education than most of the females who work in the sewing machines, and this is reflected in the level of wages as well

Secondly, female workers are involved more in "manual work", which is less valued. Most female workers in the sector start as sewing operators and, with experience, look for promotion opportunities into higher skilled positions such as cutters, quality controllers, and production line managers. In most cases, experienced sewing operators who demonstrate a good practical knowledge of different workflows across production lines are offered positions with higher responsibility and better remuneration. Internal professional development opportunities are considered a favourable strategy in enterprises as experienced workers in the sewing lines demonstrate sufficient knowledge of production within the enterprise and are better acquainted with other workers.

▶ **Table 6: Gross average wage, Albania, 2019–2021**

Category	2019/EUR			2020/EUR			2021/EUR		
	Total	Females	Males	Total	Females	Males	Total	Females	Males
Albania	437	412	458	447	431	461	477	465	487
Total sector	494	456	510	493	469	508	521	501	535
Manufacturing sector	303	271	359	315	279	371	350	313	408
Textile, clothing, footwear and leather sector	279	264	373	285	268	388	320	301	435

Source: General Directorate of Taxation, Social Security Contributors, Estimations of the National Statistical Institute.

Interestingly, even though female workers in the textile, clothing, leather and footwear sector are paid less, in 2021 they tended to work on a weekly average 1.08 hours more than male workers (see Figure 1). Female workers tend to work overtime when they need to repair the defective pieces or when the enterprise must deliver large-size orders. Most of the time, female workers are willing to do overtime because they are paid more. Enterprises that apply overtime work and/or work on Saturdays pay workers 1.25 per cent more, according to national law. This study indicates that surveyed enterprises track overtime and provide timely compensation for female workers.

▶ **Figure 1: Average weekly working hours according to gender and total workforce, 2017–2021**
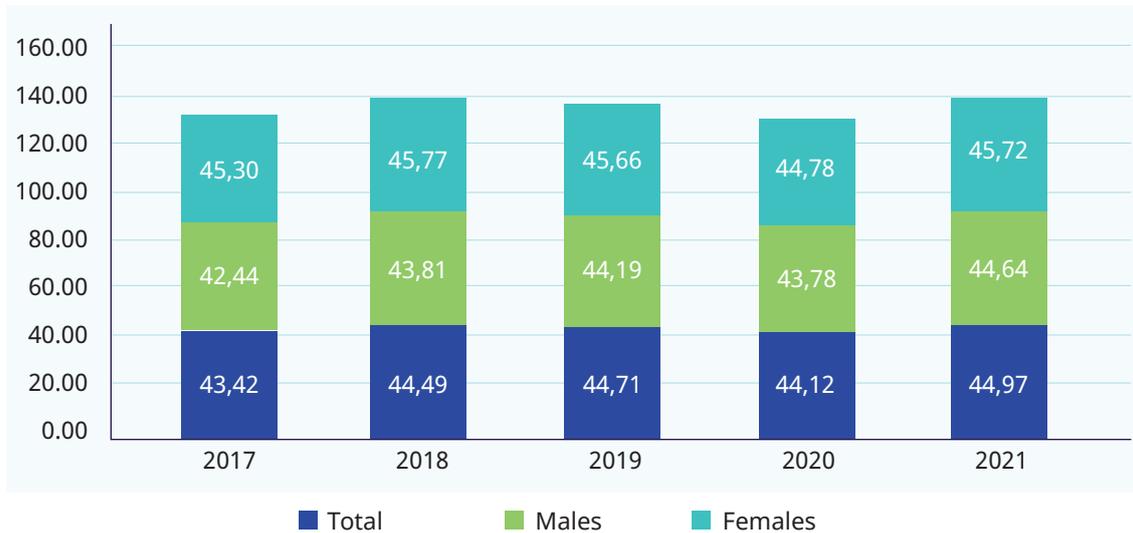
▶ 4.3 Operations in the textile, clothing, leather and footwear sector

From 2017 to 2019, revenues generated in the textile, clothing, leather and footwear sector displayed an increasing trend. In 2019 the net profit margin measured as net profit/total revenues was 8.93 per cent, the highest within the previous five years. In 2020, the Covid-19 pandemic caused a global contraction of the economy, resulting in a decrease of the net profit margin ratio to 8.8 per cent. Despite the pandemic the textile, clothing, leather and footwear sector was able to generate profits and did not experience any significant losses (see Figure 2).

▶ **Figure 2: Financial data in the textile, clothing, leather and footwear sector 2017-2020 (milliEUR)**

Note: For 2020 values are only estimates. Final values will be published in 2023.
Source: Enterprise Survey, National Statistical Institute (INSTAT).

With reference to national data, the main costs in the textile, clothing, leather and footwear sector are those related to materials and supplies needed to produce final goods that are shipped to end customers. In 2020, these costs made up 44.82 per cent of total costs incurred in the sector (materials and supplies/total costs).

Wages, training, and bonuses for employees are the second main category of expenses in the textile, clothing, leather and footwear sector, accounting for 37.38 per cent in 2020. Compared with 2019, a drop of 16.16 per cent occurred in this second category, as the total amount of expenses is almost at the pre-pandemic levels of 2017. Social security contributions are the third main cost category in the sector. Even though total amounts are much lower than the previous two categories, values for social security costs before and after the pandemic are more stable and less volatile (see Figures 3 and 4).

▶ **Figure 3: Categorization of costs in the textile, clothing, leather and footwear sector, Albania, 2017–2020 (million EUR)**
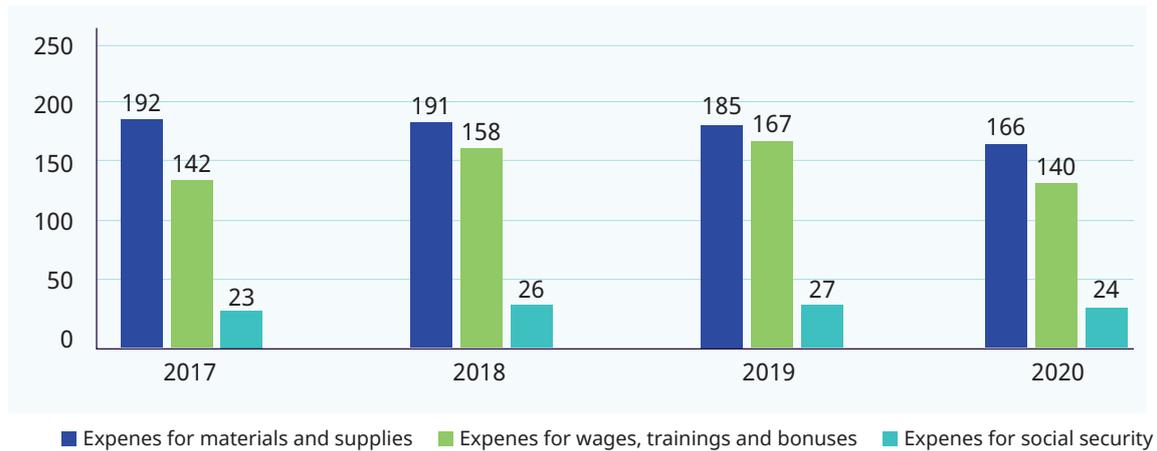
■ Expenes for materials and supplies ■ Expenes for wages, trainings and bonuses ■ Expenes for social security

Note: For 2020 values are only estimates. Final values will be published in 2023.
Source: Enterprise Survey, National Statistical Institute (INSTAT).

▶ **Figure 4: Main categories of costs as a percentage of total costs in the textile, clothing, leather and footwear sector, Albania, 2017–2020 (%)**
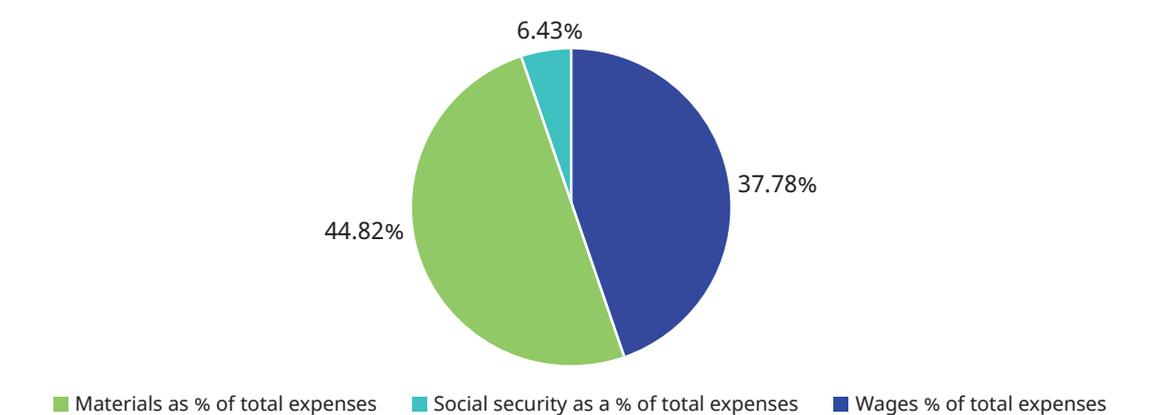
■ Materials as % of total expenses ■ Social security as a % of total expenses ■ Wages % of total expenses

Note: For 2020 values are only estimates. Final values will be published in 2023.
Source: Enterprise Survey, National Statistical Institute (INSTAT).

In 2020, during the Covid-19 pandemic, investments in equipment and machinery in the textile, clothing, leather and footwear sector increased by 20 per cent on the previous year (4 million EUR). This increase reflects the diversification of production, switching to manufacturing of medical clothing and footwear during the pandemic. This required new machines and equipment to meet the strict standards required. On the other hand, total investment in construction and buildings was much lower than that spent on purchasing equipment and machinery. In 2020 investment in construction and buildings fell by 40 per cent compared with 2017 and by 42 per cent compared with 2019. The significant decline indicates the uncertainty caused by the pandemic, delaying further investments in immovable assets such as buildings (see Figure 5).

Another significant decline in the sector has occurred in the consumption of intermediates, indicating that imports of inputs required for production in the textile, clothing, leather and footwear sector fell during the pandemic. The largest decrease was experienced from between 2019 and 2020, in the amount of 19 million EUR (10 per cent). The reduction in the value of intermediate consumption goes hand in hand with the cancellation of orders from European customers with which Albanian textile and footwear enterprises work closely (see Figure 6).

▶ **Figure 5: Main investments in the textile, clothing, leather and footwear sector, Albania, 2017–2020 (million EUR)**

Legend:
- Total investments
- Investments in buildings, constructions & instalments
- Investments in equipment & machineries

Note: For 2020 values are only estimates. Final values will be published in 2023.
Source: Enterprise Survey, National Statistical Institute (INSTAT).

▶ **Figure 6: Intermediate consumption in the textile, clothing, leather and footwear sector, Albania, 2017–2020 (million EUR)**
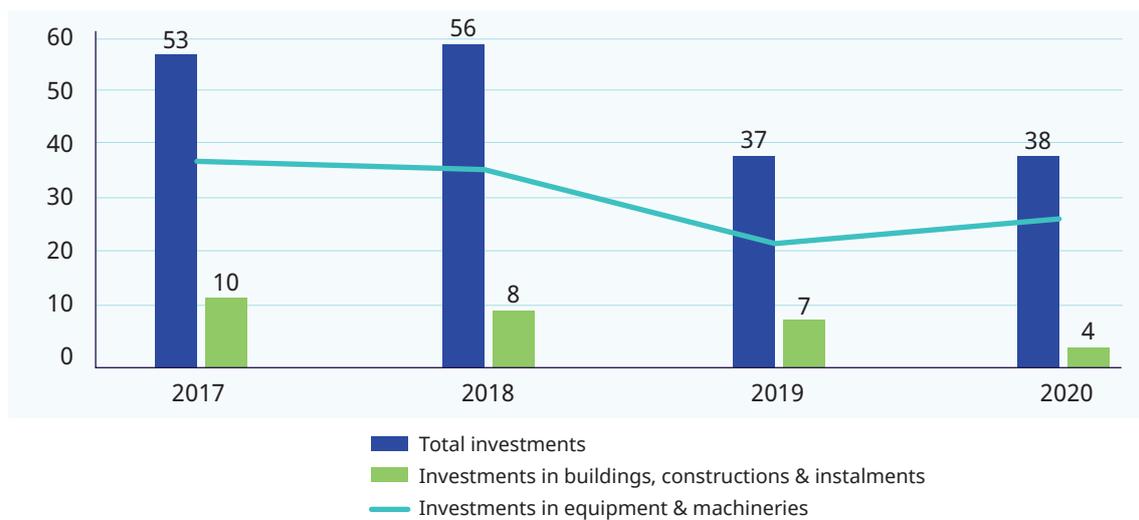
Note: For 2020 values are only estimates. Final values will be published in 2023.
Source: Enterprise Survey, National Statistical Institute (INSTAT).

▶ 4.4 Trade in the textile, clothing, leather and footwear sector

From 2017 to 2021, exports and imports in the textile, clothing, leather and footwear sector were volatile over a five-year period. An increase occurred from 2017 to 2018, followed by a moderate decline from 2018 to 2020 and an upward trend from 2020 to 2021. The sharpest decline in exports occurred between 2018 and 2020, by 17.26 per cent. However, the sector's agile response to adapt to new market requirements during the pandemic generated a positive increase in exports by almost 10 per cent between 2020 and 2021. A similar trend may also be observed with imports in the same sector. However, the increase experienced in imports between 2020 and 2021 is 20 per cent, 10 per cent higher than exports (see Figures 7 and 8).

The survey indicates that enterprises have plans to expand their production capacity, make new investments, find new clients, and diversify their production, thus affecting and hopefully improving the balance of trade in the sector.

Among the main European export destinations, Italy ranked in the first place in 2021 with trade amounting to 735.1 million EUR, followed by Greece, with 41 million EUR. These two countries are also the main countries of origin for imports in the same sector (see Figure 7).

▶ **Figure 7: Trade in the textile, clothing, leather and footwear sector, Albania, 2017–2021 (million EUR)**

Source: Trade bulletin, National Statistical Institute (INSTAT).

▶ **Figure 8: Trade in the textile, clothing, leather and footwear sector as a percentage of total volume of trade, Albania, 2017–2021 (%)**
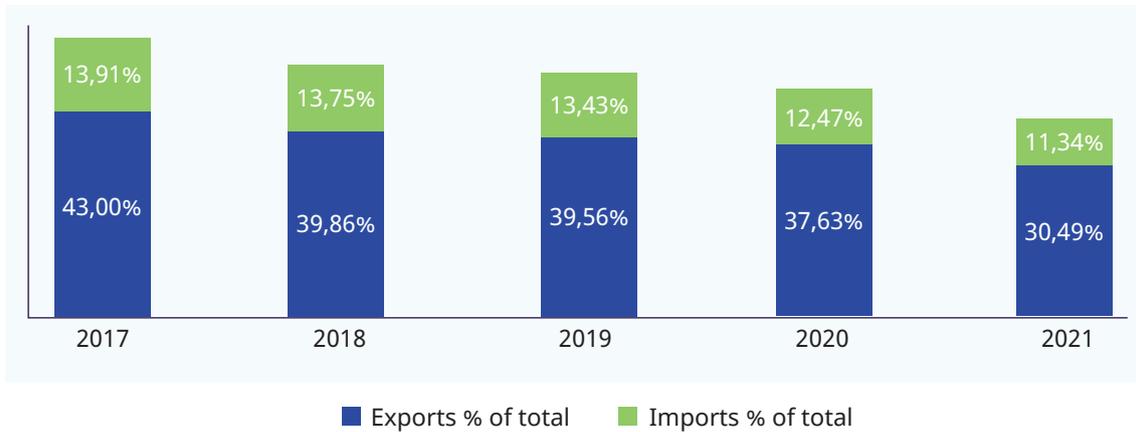
Source: Trade bulletin, National Statistical Institute (INSTAT).

▶ **Table 7: Main EU countries for exports and imports in the textile, clothing, leather and footwear sector, 2021 (million EUR)**

EU destination exports	2021	EU origin imports	2021
Italy	735.1	Italy	357.8
Greece	41.8	Greece	30.1
France	19.2	Belgium	7.2
Bulgaria	8.1	France	6.9
Spain	4.4	Spain	5.1

Source: Trade bulletin, National Statistical Institute (INSTAT).

5

5. 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. Enterprises 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 economy was self-sustaining. Products ranged from raw materials (fibres, fabrics) to ready-to-wear final goods (dresses, coats, upholstery). 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 products. Presented as a so-called "smile" curve, production in the textile, clothing, leather and footwear sector is classified as follows: (i) low value-added activities, (ii) medium value-added activities, and (iii) high value-added activities (see Figure 9).

Although in the past 5–6 years substantial 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 CMT production in the Albanian textile, clothing, leather and footwear sector. 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 these findings, most manufacturing enterprises in the country purchase raw materials such as knitted fabric or yarn from specialist suppliers as agreed with customers or import already designed and cut patterns ready for the assembly line. Many enterprises in the textile, clothing, leather and footwear sector are moving towards CTM services, including cutting processes, but many of these lack design and pattern-making. Some enterprises apply a full cycle in one of their production lines (1 product), while in the other lines they work in CMT or even only make-and-trim.

Our findings indicate that this sector has substantial unexploited opportunities that would add more value to the production chain, including processes such as raw materials sourcing, design and patternmaking, pattern grading, cutting, and 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 modality also leaves little room for sourcing locally produced inputs that might further stimulate the local economy. For example, Albanian enterprises export 100 per cent of its processed leather, while most footwear producers import raw materials for manufacturing. A similar scenario applies in the case of packaging materials of ready-to-wear goods manufactured, which are exported and not used by local manufacturing enterprises. 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.

▶ **Figure 9: Value added activities in the clothing and footwear sector**
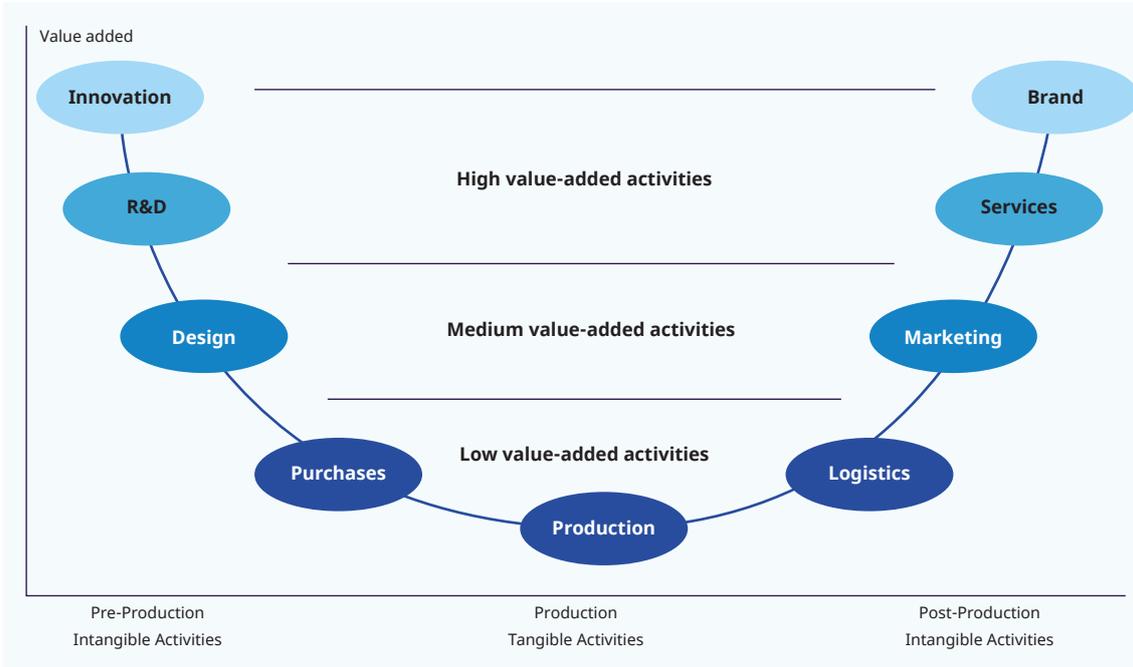
Source: Authors' elaboration based on Gary Gereffi.[8]

With regard to medium value-added services in the textile, clothing, leather and footwear sector (as in the case of design and marketing) the sector[9] has made gradual but steady steps. Several enterprises have design units that prepare various samples and patterns for new products ordered by customers. Enterprises can design a wide variety of goods for international brands, ranging from sportswear and underwear to footwear. Many enterprises are willing to hire skilled and qualified designers, although they complain that Albanian fashion institutes concentrate on technical design skills, but not on creative ones, turning creative design into a bottleneck for own-brand development. However, there are a few exceptions in the provision of design services, which answer directly to customers and market needs by offering on-demand design and prints, even on a one-off basis. The textile, clothing, leather and footwear sector has a lot to gain in terms of marketing and positioning.

The "Made in Albania" label is still relatively unknown and, in most cases, undervalued. The label does not always appear on finished goods (garments and footwear) as currently there is no EU legislation on country-of-origin labelling for textiles, clothing, leather and footwear products. Northwest European member countries do not require labelling on final goods, while most countries outside the EU do. In the end, customers making orders are responsible for the right labelling as, because of the dominance of CTM production, Albanian enterprises are not able to make final decisions. Despite these uncertainties in the exposure of "Made in Albania" labelling, marketing in the sector has been flourishing by emphasizing additional competitive advantages, such as: (i) short lead delivery times due to close proximity to the EU market (2–4 weeks), (ii) competitive production costs in the mid-range and high-end segments of the sector; (iii) strong willingness compared with China and South Asia to innovate and invest in clean technology, green manufacturing and training.

8 The Global Apparel Value Chain, Trade and the Crisis: Challenges and Opportunities for Developing Countries.

9 Design refers to activities used to attract attention, improve product performance, cut production costs, and may increase the product's competitive advantages in the market. Marketing and sales refer to activities such as pricing, selling, and distributing a product, including also branding or advertising.

With reference to high value-added services there is still much to be done. Even though a number of pioneer enterprises have their own brands, they serve either the local market or even when exported to different markets are still far behind in terms of placement in high-end segments of global value chains. Consequently, the Albanian textile, clothing, leather and footwear sector need to diversify its value chain by developing own brands and international distribution channels on a commission basis for its design, responding quickly to fluctuating customer demand and market needs. Development of own brands, including complete manufacturing of final goods (garment, footwear, bags, belts, and so on) with flexibility in colours, sizes and quantities can ensure better pricing, reduced dependency on the Italian market, and better positioning in global value chains.

Moreover, the opening of EU negotiations, alignment of the national regulatory framework with that of the EU, and adoption of EU directives make it easier for Albanian enterprises to export in the Western and Northern European countries that strongly support decent pay for workers, good working conditions and the implementation of environmental measures. They are a step ahead of countries such as China or South Asia, which are not obliged to do so. In Albania there is relatively little waste because most cut waste is exported back to Italy, or to Turkey to be processed or disposed of in landfills, regulated by Albanian customs. This is due to a tax regulation between Albania and the European Union. There is no tax on temporarily exported materials when the same amount of materials is reimported into the European Union. To balance imports and exports, cutting waste must be declared at customs. Additional efforts to reduce the environmental footprint and engage in green and circular production can open additional markets, especially in the Northern European countries. About 64 per cent of the enterprises participating in the survey do not practice waste recycling or/and separation. Several enterprises are interested in using organic materials only if required by customers.

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10 Jolta Kacani: *A Data-Centric Approach to Breaking the FDI Trap Through Integration in Global Value Chains: A Case Study from Clothing Manufacturing Enterprises in Albania (Springer International, 2020).*
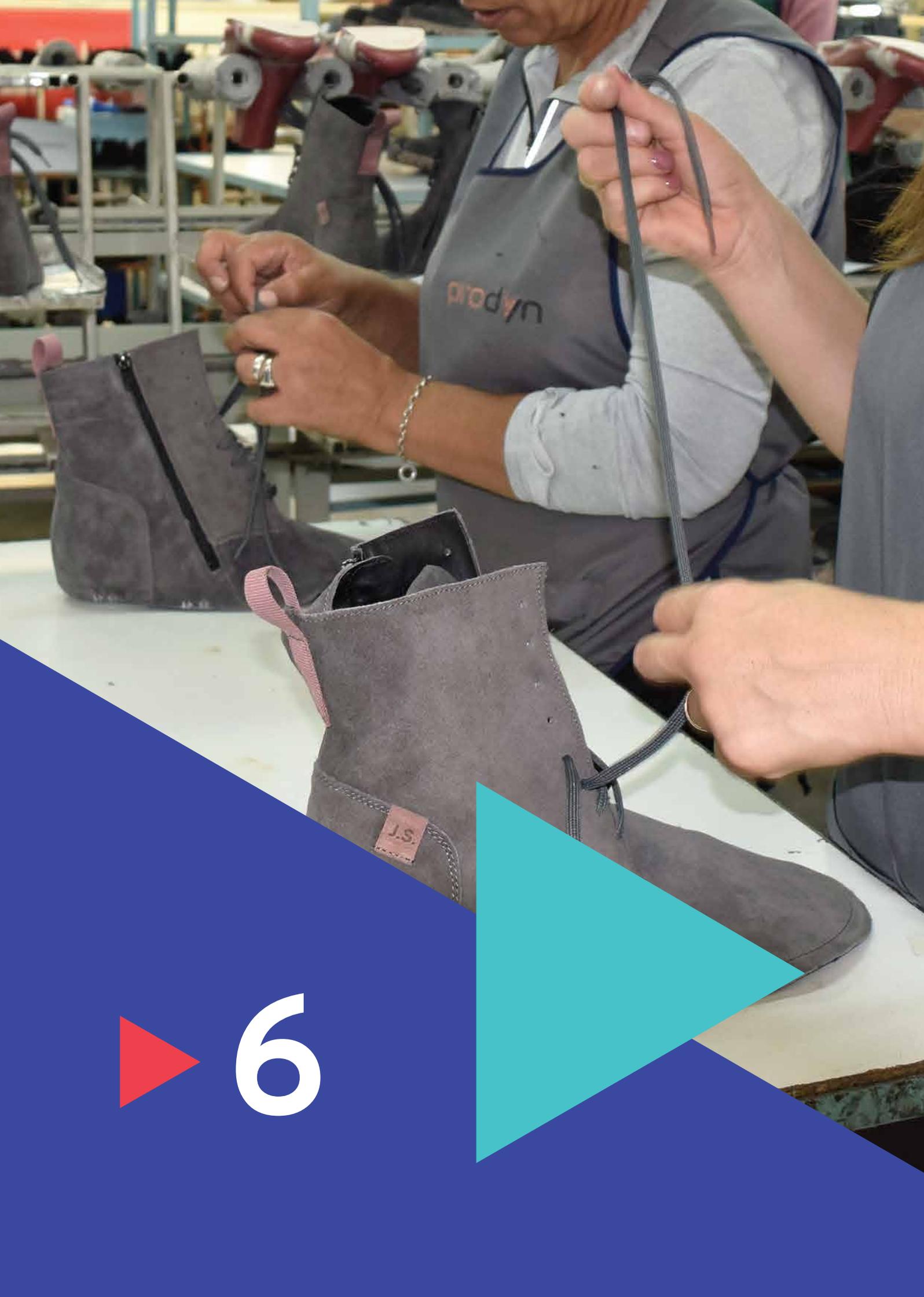
6

6. Sustainable Development Goals and Environmental, Social and Governance Framework

▶ 6.1 Environmental, Social and Governance Framework

The United Nations works together with the Government of Albania in a Sustainable Development Cooperation Framework, indicating a high-level commitment to achieve the SDGs. Albania has submitted an SDG baseline report covering various pillars of the National Strategy for Development and Integration (NSDI). Albania's report shows that the national policy framework is closely harmonized with the following SDG targets: SDG 3 (good health and well-being); SDG 7 (affordable and clean energy); SDG 8 (good jobs and economic growth); and SDG 9 (sector, innovation, and infrastructure). Albania's actions aimed at addressing the environment include target SDGs 3, 7, 8, 9, 11, 14 and 15. In this study the Environmental, Social and Governance (ESG) criteria are used to identify good practices about SDGs 8, 9, and 12 in the textile, clothing, leather and footwear sector. This framework is used to measure the sustainability impact of investments in manufacturing and enterprises operating in other sectors of the economy.

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.

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.

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.

▶ 6.2 Employment regulatory framework

Albanian labour law is regulated by Law no. 7961 of 12.7.1995, amended and further improved by Law no. 136/2015 (Labour Code of the Republic of Albania). The current labour legislation has been aligned with EU directives, although many of them only partly. The law does not provide opportunities for workers to transform their contracts from full-time to part-time (Council Directive 97/81/EC of 15 December 1997 "concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC"). This gap imposes a lack of flexibility on enterprises and employees alike. Enforcement of the employment regulation framework in the country is improving with the establishment of the e-Albania online platform, on which every citizen can check whether monthly payments and social security contributions have been made in accordance with the contract agreed with the employer.

With reference to health and safety at work, the adoption of law No. 10237 "On occupational health and safety" of 18/02/2010 and the set of supporting regulations on health and safety at work, enabled most legal acts in the field to be in conformity with the EU legal framework but reinforcement remains to be improved.

The provisions of Law no. 7961 dated 12.07.1995 as amended, the Labour Code of the Republic of Albania and Law no. 10221 "On protection from discrimination" and "Equal treatment of men and women in matters of employment and occupation" of 4.2.2010 target social inclusion and persons with disabilities. This policy framework is still not fully in line with the EU's strategic framework, such as the Europe 2020 Strategy and the Poverty Targeted Social Investment Package and the European Platform against Poverty and Social Exclusion.

Law No. 70/2016 "On Crafts in the Republic of Albania", aims to promote the development of handicraft traditions and to protect the interests of both artisans and consumers. Additionally, the law aims to establish good partnerships between public entities and private enterprises on vocational and professional education.

The regulatory framework on employment was heavily supported by the National Employment and Skills Strategy 2019–2022, monitored by the Ministry of Finance and Economy, with the motto "Higher skills and better jobs for all women and men" and the Albania Decent Work Country Programme 2017 – 2021. Development of higher productivity economic activities along the value chain would create

possibilities for enabling more qualitative employment in the TCLF sector (working conditions, productivity, occupational safety and health), including supporting the transition to formality and mitigating gender inequalities. The increase in employment has been brought about mainly by growth in sectors such as textiles, tourism and trade, health and medical services, and administration. In this context, developing and implementing structural reforms will play a key role in maintaining the current positive trends in the labour market in Albania, especially to support the gradual transition of the economy toward sub-sectors of added value and higher wages.

▶ 6.3 Fiscal regulatory framework

The Law "On an electronic invoice and turnover monitoring system" no. 87/2019 was approved by the Parliament on 18 December 2019. The Law, known as the Fiscalization law in Albania, aims to reduce informality in the country. The Albanian Tax Authorities will monitor taxpayers' turnover in real time. This Law is partly approximated with EU Directive 2014/55 on electronic invoicing in public procurement and Directive 2006/112 on Value Added Tax (VAT). By-laws and regulations define the administrative and technical instructions. According to the regulations, starting from 1 July 2021, cashless transactions between taxpayers will be in force. Facing the economic challenges arising from the Covid-19 pandemic, the Government of Albania launched the national economic recovery plan "Albania 2030" on 5 June. It was announced as a zero-profit tax for small businesses with less than 14 million ALL (~EUR 100 000) turnover until 2029 as part of this national plan, which aims to support small businesses make a smooth recovery. The recent developments in taxation policies and fiscalization reform have brought with them new procedures and administrative regulations for enterprises, including those in textile and footwear manufacturing. Capacity building and training on legislation developments and business financial fundamentals will equip enterprises with the skills they need to successfully run business models in general and circular ones.

▶ 6.4 Environmental regulatory framework

Albania has adapted its environmental legislation in line with EU standards and regulations. Due to subsidiary acts yet to be agreed, however, implementation of the legislation is still lagging. Indeed, several cross-cutting environmental strategies exist, but yet there is no overall policy framework for environmental protection.

One of the main regulatory acts is Decision of the Council of Ministers No. 418 of 27.05.2020 "For the Approval of the Strategic Policy Document and National Plan for Integrated Waste Management 2020–2035". It is based on the waste management framework directive 2008/98/EC, which was transposed into Law no. 10463 of 22.09.2011 "On integrated waste management", as amended, as well as into Law no. 10431 of 9.6.2011 "On the protection of the environment". The main principle of waste management is the hierarchy of waste, which aims to rank the possibilities for waste management, according to the purpose of what is best for the environment and human health, stimulating transition to a circular economy. The strategic policy document sets out the need for a gradual transition from a linear to a circular economy, aiming among other things at life extension, collection through source separation and large-scale recycling. The transition to the circular economy, in which waste is treated

as a source of materials through the return to the economy as raw materials, will bring benefits to the environment and the country's economy. The main principle governing this strategic document is "extended producer responsibilities". It implies that producers or importers are responsible for waste management throughout the life cycle of their products, from creation to the post-consumer stage. The manufacturer/importer must aim to take back products that are at the end of their life, recycle and deposit them.

7

7. Practical application of good SDG practices in the textile, clothing, leather and footwear sector

▶ 7.1 Structure of the sector

According to national data from INSTAT, a total of 827 enterprises in the textile, clothing, leather and footwear sector were registered in Albania in 2020. Among the sector's enterprises, there were 66 per cent are classified as textile and clothing enterprises and 34 per cent as footwear and leather enterprises.[11] 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 brand.

The survey results of July 2022 showed that 46 per cent of enterprises are operating in full production (Figure 12).
For each sector the scale shows the distribution of business models that enterprises apply and their focus in their supply chains. The use of the following business models was analysed:

▶ **Figure 12: Business operating model of enterprises participating in the survey**

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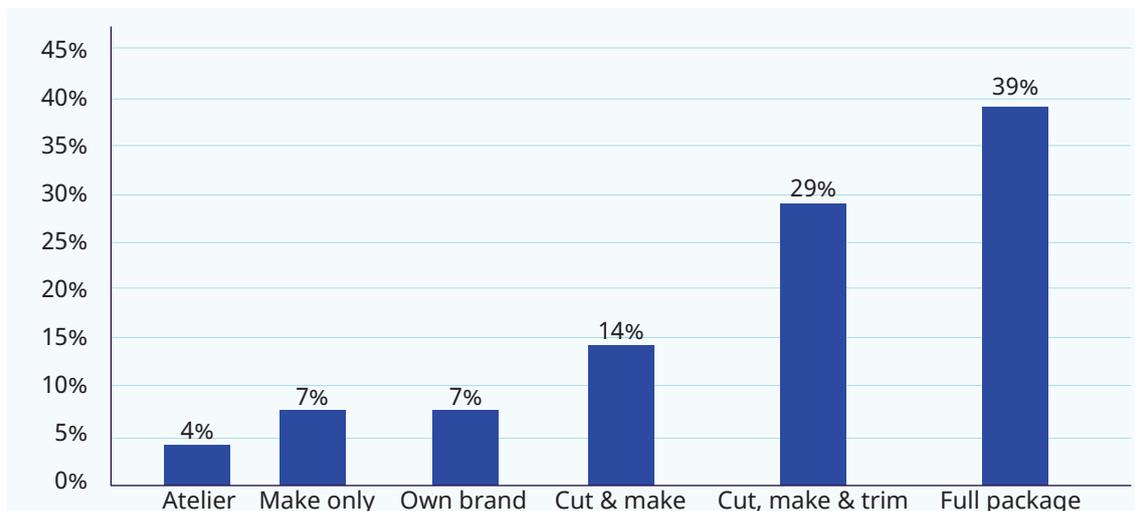
11 INSTAT.

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.[12] 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.[13]

In addition, the Albanian textile, clothing, leather and footwear sector needs to move from CMT production modality to an integrated value chain, and a more skilled labour force able to provide higher value-added services and receive higher wages, moving away from the minimum wage that dominates the sector.[14]

▶ 7.2   Design and results of the good practices survey

To obtain a clearer view of the best practices of the present adoption of SDGs in the textile, clothing, leather and footwear sector in Albania a survey of manufacturing enterprises was designed and released to 49 enterprises in the sector. The survey focused in particular on the application of SDGs, especially SDG 8 (Decent work and economic growth), SDG 9 (Sector, innovation, and infrastructure), SDG 12 (Responsible production and consumption), and the ESG criteria in order to identify gaps with regard to productivity, human resources, equipment, technology, digitalization, occupational safety and health standards, and lean manufacturing, with the ultimate objective of working together towards ensuring decent working conditions, improving workplace cooperation, increasing productivity, reducing manufacturing waste, increasing awareness of lean manufacturing, recycling, the circular economy, green production, and energy efficiency.

The criteria for selecting textile, clothing, leather and footwear enterprises that were invited to participate in the survey were:

▶ size of enterprise.
▶ sourcing of raw materials.
▶ documentation of the sustainability activities in the textile, clothing, footwear and leather sector.
▶ affiliation to the employers' associations.
▶ application of finishing processes such as washing, bleaching, and dyeing.

The size of enterprise was selected as a criterion on the assumption that larger enterprises – in terms of production capacities, number of employees, annual turnover, and diversity of operations – are more likely to apply at least CMT as a business model.

The size of enterprises and their placement in the supply chain are expected to correlate positively with application of the SDGs. Based on previous research in the sector the positive correlation relates to working conditions, innovation, application of international production standards, together with updating lean manufacturing, resource efficiency and cleaner production, circular economy or at least a readiness to start working towards such goals.

This purposeful sample size represents 10.5 per cent of the textile, clothing, leather and footwear enterprises employing 10 or more workers, and approximately 26 per cent of the ProExport Albania

12 https://www.rvo.nl/sites/default/files/2016/05/CSR%20Report%20Albania%202016.pdf

13 https://www.rvo.nl/sites/default/files/2016/05/CSR%20Report%20Albania%202016.pdf

14 Survey 2022.

members, the only association of the textile and garment enterprises in Albania. Enterprises invited to participate in the survey are 59 per cent in production of textile and garment and 41 per cent in production of leather and footwear.

Given that the survey is based on a purposeful sampling[15] the number of enterprises provides an appropriate representation of the community and the status of SDG-related practices in the textile, clothing, leather and footwear enterprises in Albania.

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 (40 per cent).
▶ Germany (16 per cent).
▶ non-specific EU countries (28 per cent).
▶ Greece (4 per cent).
▶ China (4 per cent).
▶ the United Kingdom (4 per cent).
▶ Domestic market (4 per cent).

Around 32 per cent of the surveyed enterprises are well established in the sector, having been founded before 1995. Three enterprises were founded in the past three years, but the majority are 10 to 30 years old.

▶ **Figure 13: Number of years enterprises have been in business**
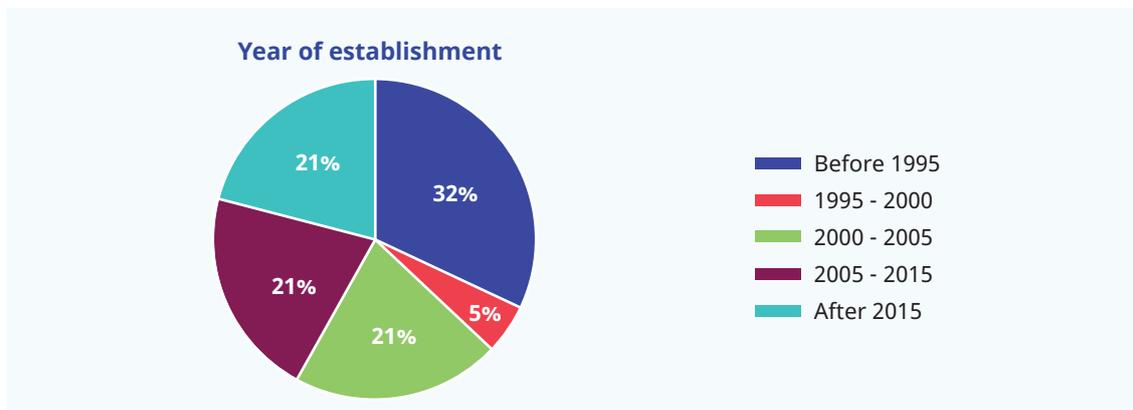
The questionnaire was composed of seven main categories. The complete questionnaire is included in the appending of this paper:
   1. information on the enterprise.
   2. information on the implementation of SDGs.
   3. information on the applied management system.
   4. information on products.
   5. information on processes.
   6. information on material uses and waste management.
   7. information on environmental aspects.

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15 This is a form of non-probability sampling in which researchers rely on their own judgement when choosing members of the population to participate in their surveys.

▶ 7.3. Results of the good practices survey

The findings of the survey indicate that, despite their size, the activities of most enterprises remain between low and medium levels of value added in the value chain. Responses indicate that 64 per cent of enterprises work for up to five suppliers while 22 per cent of them work for more than 10 suppliers.

Hardly any of the enterprises produce any fabric or leather themselves. Most of them cut fabrics and leather to make ready-to-wear garments and shoes. Generally, there is no need to use chemicals on a larger scale, as enterprises do not employ sizing, mercerizing, and bleaching, dyeing, washing, finishing fabrics or leather production, however 60 per cent of surveyed enterprises do not have procedures for handling chemicals.

The use of organic or recycled materials is low, as clients rarely request it. Correspondingly, waste is separated only when customers request it. Quality control is focused mainly on the end of the line.

Energy is a relevant cost to all enterprises, so they are keenly interested in increasing energy efficiency. The range of equipment used seems broad. Maintaining machines is an issue because of the low availability of experienced technicians.

Topics such as selection of materials, selecting, and handling chemicals, and recycling of materials will become increasingly important as the sector starts to expand the value chain by establishing nationally designed brands, and producing fabrics and leather as raw materials.

All the surveyed enterprises comply with the statutory minimum wage however it is recorded and compensated according to law.

Most of invited enterprises for the survey apply organizational and work management practices in line with relevant standards promoted by the SDGs. More specifically for enterprises participating in the good practices survey show the following trends regarding human resource management:

▶ 73 per cent have a grievance mechanism.
▶ 89 per cent have written work procedures.
▶ 96 per cent have regular meetings between management and workers.
▶ 77 per cent have no organizational structure in departments.
▶ 85 per cent have written job descriptions.
▶ 73 per cent have a human resource unit.
▶ 73 per cent have a training plan for newly hired employees.
▶ 25 per cent employ seasonal workers.
▶ 100 per cent of the enterprises comply with the statutory minimum wage.
▶ 73 per cent have overtime in accordance with production needs; 89 per cent record overtime; 96 per cent record absences.

Additional results related to the quality management, waste and environmental awareness indicate the following:

▶ 96 per cent have quality control;
▶ 100 per cent have at least an employee responsible for quality control. Inspection is carried out mainly at the end of production, although some enterprises do quality inspection or control in the

middle and at the end of production runs.

▶ 75 per cent of enterprises seem to exploit the potential of systematic quality management, while the remainder have space for implementation and improvement.
▶ 96 per cent measure operations time; and 30 per cent of the enterprises have an innovation manager.
▶ 92 per cent have a machine maintenance plan.
▶ 92 per cent of enterprises have storage rules on raw materials and accessories.
▶ 92 per cent do not check the quality of raw materials.
▶ 8 per cent use organic materials.
▶ 15 per cent use recycled materials.
▶ 35 per cent do waste separation and recycling.
▶ 65 per cent collect only textiles for recycling.
▶ 54 per cent analyse raw material consumption.
▶ 85 per cent have plans to save energy.
▶ 3 per cent of enterprises report what is legally required concerning environmental issues, while 8 per cent report voluntarily on environmental matters.
▶ 42 per cent select clients using environmental criteria, and 42 per cent of clients apply environmental criteria.

The following observations are relevant regarding the occupational safety and health at the workplace:

▶ 62 per cent do not have procedures for handling chemicals.
▶ 96 per cent record accidents at work.
▶ 100 per cent of the enterprises say they have emergency plan.

8

8. Examples of Albanian enterprises demonstrating application of good SDG practices in the sector

The results of the survey led by UNIDO (see Appendix for details) show that Albanian textile, clothing, leather and footwear enterprises have made progress in implementation of SDGs 8, 9 and 12, albeit at a moderate rate. There is a lot more to be done in the future. The data evidence from the survey, site visits to enterprises, and meetings with stakeholders show that with good cooperation among all stakeholders, appropriate expertise and adequate support we can develop a good action plan, specifying the steps required to reach the Sustainability Development Goals. Summary of the current situation, gaps, targets and specific actions towards the implementation of the Sustainable Development Goals in Albania for the textile, clothing, leather and footwear sector is provided below following the general insights on the SDGs application in the country.

▶ SDG 8. Decent work and economic growth

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.

Productivity and competitiveness are among the most important challenges for ensuring sustained growth in Albania. Structural reforms and the opening of the Albanian economy to European and global markets created momentum for sustained future growth. Further restructuring of the economy, however, will generate limited potential for further growth as the shift continues from traditional, low labour cost activities in sectors such as agriculture, construction and **textiles** towards more skills-oriented and increased value-added activities.

A domestic-oriented growth model is insufficient to close the gap with EU living standards and achieve the SDGs. There are few incentives for high technology adoption and little diversification in sector and exports beyond food, **garments** and minerals.

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.

There has been a slow increase in awareness of environmental issues. Joint efforts on all sides are needed in this direction. Enterprise's clients can play a central role, putting pressure and applying the same standards to Albanian companies as they apply in their country of origin or their main activity.

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.

Whereas significant improvements are noted in the Albanian labour market between 2017 and 2020, significant challenges remain. Unemployment and low wages are major determinants of vulnerability. Unemployment, largely long term and structural, was 11.8 per cent in 2020, with youth unemployment at 21 per cent. Three out of four unemployed young people are classified as long-term unemployed, with risks of skills erosion and labour market exclusion. In addition, limited economic opportunities are driving out-migration, which can lead to skills shortages.

8.8 Protect labour rights and promote safe and secure working environments for all workers. Lack of labour force, more incentives to add.

In comparison with other sectors of the economy, garment and footwear production is among the most difficult, time consuming, and with high exposure to hazardous chemicals and waste industries. According to INSTAT, 57,000 people were employed in the textile and footwear sector in 2020.

▶ SDG 8. Gaps, targets and specific actions

- ▶ The high number of employees requires strong reliance on clear, transparent and ethical regulation. Enterprises are trying to create a favourable working environment and promote high standards of communication. Their commitment to cooperate with high-end brands and partners has made such enterprises successful in its operations in the textile, clothing, leather and manufacturing sector.
- ▶ Some enterprises show a very good flexibility in terms of line and production adaptation. Several companies were very successful during the COVID-19 pandemic, doubling production for themselves and supporting as well additional enterprises.
- ▶ Several enterprises operating in the female footwear production for reputable international brands have shown stable relationships with their clients making this is a success indicator for a growing enterprise.
- ▶ Many footwear enterprises have invested in infrastructure, expanding their operations in new and large facilities, where they manufacture high quality shoes, sandals and boots.
- ▶ The investment in machinery is high from few enterprises, less than five years old.
- ▶ Cooperation, speed, precision, innovation, technological development, attention to the safety of qualified workers and maintenance of environmental issues are the goals that some enterprises have as their everyday manufacturing targets.
- ▶ Increasing the productivity is one of the most important objectives of enterprises that operate under complex production modality in the sector.
- ▶ Employees are offered favourable conditions and relaxing environments where they feel that they are part of a warm and welcoming milieu for a common good.
- ▶ The more advanced enterprises in the sector have applied and implemented quality standards such as ISO 9001:2000 Quality Certificate.
- ▶ The most successful enterprises in the sector make efforts to meet their customer needs with high quality and on time, always willing to adapt and take on new challenges.
- ▶ Many enterprises in the garment manufacturing sector are making hard efforts to work in small orders in a fast turnaround time, assuring high quality. They have invested in the cutting sector or

are trying to invest in automatic cutting machines and capacity building for their employees.
▶ Many enterprises have invested in owning transportation vehicles to shorten the distribution time to the port.

▶ SDG 9. Sector, innovation and infrastructure

9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise sector's share of employment and gross domestic product, in line with national circumstances, and double its share in the least developed countries.

In early 2022, textile, garment, leather and footwear manufacturers in Albania are facing an increase in order size from their main foreign partners. A few enterprises are experiencing an up to 200 per cent. The main reason for this increase is the movement of production into new locations in the wake of problems with supply chains in Asia and high transportation prices. Well known international brand names such as Clarks, Geox, and Dolce Gabbana are increasing their orders with Albanian enterprises, but due to the latter's limited capacities they are not able to cope with such volumes. For example, there is a desperate need for labour in Albania. On the other hand, the high production demand is motivating enterprises to invest in technology and to improve human resource management.

This is a good time for the leather and footwear sector to add more value to their production chain as, for the first time in decades, Albanian enterprises are able to be choosy about their orders.

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

High and increasing demand for products from Albanian enterprises in the wake of the Covid-19 pandemic highlights the lack of or low level of transport logistics. For European suppliers, Albania, with its long and admirable experience in textile, garment, leather and footwear production can be an important partner. The challenge is to cope with workers emigrating in pursuit of jobs, especially young people, and the technological deficiencies that are preventing this sector from capitalizing on current circumstances.

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities.

In the wake of the Covid-19 pandemic the geographical distribution of orders has been changing rapidly, including countries such as Germany, Portugal, Spain and the United Kingdom. European enterprises demand ready products but without assisting Albanian enterprises in the many operations and processes involved in such a way that would foster rapid development of full-cycle production and add value in the production chain. Before 2019, closed/full-cycle production accounted for 20–30 per cent of total activities.

▶ SDG 9. Gaps, targets and specific actions

- ▶ Developing transparent and inclusive cooperation to allow enterprises to develop investments as medium- and long-term projects.
- ▶ Expanding the production capacity, making significant investments in machinery and production lines to produce more complex final goods, and be present in the European market with their own brand of garment products.
- ▶ Continuous growth and flexible development as well as diversified production over the long term.
- ▶ Investing in CAD/CAM design and pattern making.

▶ SDG 12. Responsible consumption and production

12.2. By 2030, achieve the sustainable management and efficient use of natural resources.

12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil to minimize their adverse impacts on human health and the environment.

12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.6, Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

12.8. By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

▶ SDG 12. Gaps, targets, and specific actions

- ▶ "Green production" and higher commitment to eco-friendly manufacturing, in which industrial production can coexist with the environment.
- ▶ Reduction of the CO2 emissions for every item produced.
- ▶ Paying higher attention to social responsibility to promote green economy and production.
- ▶ Concrete actions towards resource-efficient production to minimize waste, energy efficient production, low-carbon production and sound chemical management and processes optimization.
- ▶ Commitment to "No-stock" motto.
- ▶ Increased interest from many enterprises in the calculation of raw material consumption.
- ▶ The quality management system, in accordance with national and international standards, as well as the ISO 9001; ISO 14001, and eventually EMAS certification for environmental issues, is a guarantee of professionalism and social responsibility, which are fundamental values in the management and daily operations of leather processing enterprises in the country.

Detailed actions towards SDG compliance in Albania in general:

▶ 100% energy use, generated from renewable resources.
▶ Investment in an efficient electrical network to supply machineries and equipment with minimal loss by the state and grid operators
▶ Efficient low temperature heating systems.
▶ Investing in the lighting system.
▶ Employee transportation from/back home with the focus towards to the electric buses.
▶ Investment in sewing machines, replacing the old machines with new ones for low electricity consumption.
▶ Recycling of all materials: plastic, paper, cardboard.
▶ New projects towards polyester recycling, with concrete future cooperation with academia about that.
▶ Investment in solar panels.
▶ Water recovery projects.
▶ Environmental protection.
▶ Investment in technology, innovation, and training.
▶ Exploring new markets and raw materials sourcing.

9

9. Next steps towards a Zero roadmap for an SDG/EU Green Agenda

The Zero Draft Roadmap will aim to improve the sustainability of the textile, clothing, leather and footwear sector in Albania by gathering evidence on its environmental, social and economic impacts, and working with a wide range of stakeholders across the supply chain to build on existing interventions and add value to work already under way. A roadmap is needed because the clothing and footwear sector is a labour-intensive sector and has a significant environmental and social footprint across its value chain, **which is exacerbated by high consumption levels.**

The environmental impacts include energy use, resource depletion and generation of greenhouse gas (GHG) emissions from processing fossil fuels into synthetic fibres; significant water use; pesticide and herbicide use, energy use and greenhouse gas emissions associated with fertilizer generation and irrigation systems from fibre crops, such as cotton; water use, toxicity, hazardous waste and effluent associated with production stage pre-treatment chemicals, dyes and finishes.

Social impacts include labour exploitation, poor working conditions, productivity, occupational health, and safety, informality and gender inequalities. The roadmap action plan will be successful if it stimulates the clothing and fashion sector to take increasing actions in the five key areas, where it can be most effective.

The Zero roadmap is based on the coordinated action of key clothing and footwear stakeholders as they can affect the most improvements through their operations.

Alignment with SDG objectives and further steps toward the EU Green Agenda require that enterprises in the textile, clothing, leather and footwear sector in Albania use more integrated business models. As survey data indicates the absence of such business models, internalizing sector value chains by producing raw materials and inputs which requires investments in new manufacturing technologies. These advancements will also prepare the basis for selecting and testing raw materials and recycling production waste.

The use of digital, environmental and recycling technologies will help to keep pace with green manufacturing and the circular economy. More specifically, based on the results of the survey the sector has the capacity for the implementation of different pilot projects that could help to foster a more sustainable sector with a ready-made or customized sector and, if possible, with less waste of raw materials or leftovers.

The sector is promising as regards possible future projects and support or joint ventures between Albanian and other European partners. To be competitive in the European market, Albanian enterprises should measure their performance against set criteria and indicators, so that they comply

with EU regulations and SDGs in every component of human resources, production, machinery and equipment, product and processes quality, environment regulation, and decent working conditions.

This includes the following priority areas:

1. Textile, clothing, leather and footwear manufacturers are an important factor in generating employment and affecting economic growth. Alignment with SDG 8, 9, and 12 best practices will make enterprises more agile in diversifying the range of their manufactured ready-to-wear goods, increase exports and improve the working conditions and financial compensation of the workforce in this sector.

2. This sector has the potential to improve its industrial waste management. The use of waste as a secondary raw material or inputs for manufacturing sector is not yet developed but has good prospects of being achieved if enterprises commit and the government provides the regulatory framework and infrastructure.

3. The adoption of the new Law on Chemicals Management and related by-laws in 2016 is a significant legislative development. However, knowledge and awareness of the newly introduced rules and procedures are lacking, not only among enterprises in the sector but overall, in the Albanian economy. Technical capacity-building programmes are needed to inculcate best practices among sector players regarding the management of chemicals.

4. The quantity and origins of hazardous waste remain unknown, mainly because of the lack of data collection. This hampers the establishment of sound management of hazardous waste. Albania is unable to measure progress against indicator 12.4.2 (hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment) to allow the tracking of progress towards achievement of target 12.4 of the 2030 Agenda for Sustainable Development.

5. All active related institutions, organizations, enterprises themselves and partners operating in the manufacture of clothing and footwear should play a more visible role in promoting the EU Green Agenda and the circular economy.

6. An increasing number of enterprises would like to go beyond cut-make-trim manufacturing and instead offer a complete service package for foreign clients (enterprises from France, Italy, the Netherlands, and Germany). A growing number of enterprises have the capacity to produce according to the full-package or own-brand business operating modalities and to move along the value chain. This trend is also supported from the findings of the survey which indicate that that 85 per cent of enterprises intend to invest in new technologies.

7. Financial support and investments in infrastructure to promote implementation of a full package vocational education, especially in strengthening design capacity building programs required to promote own-brand manufacturing.

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10. Conclusions and recommendations

1. Manufacturing enterprises in the textile, clothing, leather and footwear sector are important economic units in increasing employment, boosting national exports, and enhancing environmental protection and sustainability. Much more attention is therefore needed to improve working conditions, guarantee occupational health and safety in the workplace, mitigate gender inequalities, develop product diversification, increase enterprise competitiveness, improve productivity, and foster resource efficiency in the optimal use and treatment of fabrics, leather, and raw materials in general.

2. Around 10 per cent of global pollution – according to international data – is affected or created by the textile and footwear sector. Albanian textile, leather and footwear manufacturers need to participate in ameliorating their response compliant to the demands of foreign partners and suppliers.

3. 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.

4. 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.

5. 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.

6. 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 (production vs. retail cost revision).

7. The TCLF sector should grow in providing a full package of high-quality garments and footware. This entails good quality formal wear, connecting with potent clients in Europe and the Middle East. This also entails quality elements like zero carbon, zero toxic, zero waste, transparent information management and sincere communication to avoid any greenwashing

8. This also means using innovative materials, preferably developed and produced Albania. This includes fabrics and leather. This sector still needs to be developed involving national universities and the government, it needs support. This also includes value preserving recycling.

9. To minimize risk and harvest the benefits of nearshoring, close connection to existing key clients might be instrumental instead of taking the full risk of developing own brands new to the end consumer market.

10. Brand development means developing multi-channel marketing and digital marketing

11. Good quality clothing and footwear connecting with the customer in Europe and the Middle East.

12. Fashion consumers' increasing awareness of sustainability, eco-friendly clothes and shoes, environmental protection and use of organic materials use should be reflected in the production methods of Albanian enterprises, encouraged by suppliers and international brands: this requires serious efforts and communication by avoiding greenwashing by providing: zero waste, zero carbon, no toxic garments and footware industrial waste management in Albania is still at early stages. The use of waste as a secondary raw material for manufacturing has not been developed. Support the textile, clothing, leather and footwear enterprises in planning recycling infrastructure. The existing data on waste (custom refund) should be collected to show the quality and quantity of fiber and leather waste. Statistical data and demonstration projects are needed to strengthen recycling practices in the industry.

13. Energy efficiency should be enhanced and the use of renewable energy be promoted. At present, 70% of the energy used in Albania is renewable.[16]

14. The adoption of the new Law on Chemicals Management and related by-laws in 2016 is a significant legislative development. However, there is a lack of knowledge and awareness about the newly introduced rules and procedures, not only among enterprises working in this field, but also among the different stakeholders in the public administration.

15. The amount and origins of hazardous waste remain unknown, mainly due to the lack of data collection. The lack of data hampers establishment of sound management of hazardous waste. Albania is not able to measure progress against indicator 12.4.2 (hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment) to allow the tracking of progress towards the achievement of target 12.4 of the 2030 Agenda for Sustainable Development.

16. It is important that the leather processing subsector to focus on new opportunities to create sustainable tanneries. The current lack of tanneries impedes the sector and causes overstock. Existing tanneries claim that they can handle all necessary processes for leather exports but that seems questionable.

17. Promotion of digitalization practices in the textile, clothing, leather and footwear industry. A national initiative is required to assess the digital readiness, suggest measures, support digitalization of business models. Enterprises can be supported for implementation of enterprise resource planning software together with internal auditing and energy efficiency policies, aiming to adapting best practices and most innovative technologies, using the available champions.

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16 https://bankwatch.org/beyond-fossil-fuels/energy-sector-in-albania#:~:text=Albania%2C%20with%20a%20population%20of, vulnerable%20to%20the%20changing%20climate.

18. Textile, clothing, leather and footwear enterprises in developed countries, in order to reduce manufacturing costs, have long been outsourcing production to developing countries where labour force is cheap. Albania has one of the lowest minimum wages in Europe. The clothing and footwear sector in general and especially CMT production modality manufacturing enterprises are highly cost-price driven. High level of skills or education are not required and jobs in the sector tend to be monotonous because production tends to be broken down into numerous simple tasks. As the sector is primarily based on low skilled labor wages are not expected to rise much. In order to improve the living conditions of workers in the sector the government needs to adjust the minimum wage as it is in an official statistical indicator to measure the standard of living across the country in general including the textile, clothing, leather and footwear sector.

19. The minimum age for employment in Albania is 16. However, during school breaks, children aged from 14 to 16 may perform minor jobs in the textile, clothing, leather and footwear sector that are not detrimental to their health or upbringing. If in accordance with the safety requirements for minors, minor jobs can promote and cultivate a working culture in the young population of the country.

20. 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. Labour migration is seen as an option and the government, social partners shall be mindful to avoid exploitation.

21. Strengthening capacities of the educational system to support the textile, clothing, leather and footwear sector. Business expansion strategy practices, product development, circular design can be included in the university curriculum. Additional support can be provided for vocational training of technicians and designers that can facilitate adoption of new technologies and own brand manufacturing.

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

23. There are modest incentives but not enough to attract additional investment in the textile, clothing, leather and footwear industry for, for those willing to invest in new technology as a direct contribution to improve environmental protection.

24. There is high potential for the textile, clothing, leather and footwear sector to become sustainable, competitive and resource-efficient and to upgrade along the value chain of the industry.

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

Appendix

► A.1. Questionnaire

I.   **Information on company:**

a. Legal name: _____

b. Ownership: ☐ Albanian 100%   ☐ Joint

c. Number of employees: _____

d. Men _____ women _____

e. Number of clients: _____

f. Main clients: _____ (If possible specify)

g. Location: _____

h. Year of establishment: _____

II.   **Sustainable Development Goals (SDGs)**

a. Grievance mechanism for operators:	☐ Yes	☐ No
b. Do you have employment practices?	☐ Yes	☐ No
c. Do you have departments/organizational chart?:	☐ Yes	☐ No
d. Seasonal workers/children	☐ Yes	☐ No
e. Number of gender-related projects implemented	☐ Yes	☐ No
f. Daily worker/manager meetings	☐ Yes	☐ No
g. Quality policy/quality system	☐ Yes	☐ No
h. Quality control/inspection	☐ Yes	☐ No
(If yes)	☐ End of line	☐ In line
i. Time and staff allocated to cleaner production:	☐ Yes	☐ No
j. Human resource policies and guidelines	☐ Yes	☐ No
k. Do you apply job descriptions to your employees?	☐ Yes	☐ No
l. Do you comply with the minimum wage regulations?	☐ Yes	☐ No
m. Do workers work overtime?	☐ Yes	☐ No
n. Is overtime tracked?	☐ Yes	☐ No
o. Do you have a training plan for newly hired operators?	☐ Yes	☐ No
p. Do you have an OSH committee/policy/regulations?	☐ Yes	☐ No

q. Are work accidents tracked? ☐ Yes ☐ No

r. Do you have a research and development person/unit? ☐ Yes ☐ No

s. What more do you need regarding skilled staff/operators?

_____ (specify)

III. **Management system**

a. Written procedures for processes, maintenance, handling ☐ Yes ☐ No

and storage of chemicals: ☐ Yes ☐ No

b. Are chemicals/hazardous agents used in your company? ☐ Yes ☐ No

c. Do you have measures for operators for protection against

chemicals? ☐ Yes ☐ No

d. Do you have an emergency plan? ☐ Yes ☐ No

e. Do you cooperate with the labour office when hiring new

employees? ☐ Yes ☐ No

f. Do you track/measure absenteeism/leave? ☐ Yes ☐ No

g. Do you have any internal policy about unused

machines/spare parts? ☐ Yes ☐ No

h. Do you have a machine maintenance plan? ☐ Yes ☐ No

IV. **Products**

a. Main products of your company: _____ (specify)

b. Destination: _____ (specify)

c. Monthly volume of production _____ (specify)

d. Do you track the number of styles/orders? ☐ Yes ☐ No

e. Do you face difficulties with new styles/products? ☐ Yes ☐ No

f. Do you do product design? ☐ Yes ☐ No

g. Do you know the longevity of your products? ☐ Yes ☐ No

h. Do you measure operation time? ☐ Yes ☐ No

i. Do you prepare the technical card and line

specification/layout for your own products? ☐ Yes ☐ No

j. Do you test your raw materials'/products' physical –

mechanical and chemical properties? ☐ Yes ☐ No

V. **Processes**

a. Model of business:

☐ Make ☐ Cut & Make ☐ Cut & Make & Trim ☐ Full package ☐ Own brand

b. Do you have semi-automatic or automatic machines?   ☐ Yes   ☐ No

_____   Please specify

c. Do you have an investment plan in new technology?   ☐ Yes   ☐ No

_____   Please specify

d. What type of machinery do you need?   ☐ Yes   ☐ No

e. Do you have finishing processes? (bleaching, dyeing, etc.)   ☐ Yes   ☐ No

f. How are patterns created?:   ☐ Manually   ☐ CAD/CAM

VI.   Materials

a. Do you do the raw material sourcing yourself?   ☐ Yes   ☐ No

b. Do you have a raw material and accessories storage

policy?   ☐ Yes   ☐ No

c. Do you have an acclimatization plan for your storage area?   ☐ Yes   ☐ No

d. Do you test raw materials'/accessories' fibre content?   ☐ Yes   ☐ No

e. Are you interested in finding new buyers for raw

materials?   ☐ Yes   ☐ No

f. Have you already implemented waste recycling and

separation?   ☐ Yes   ☐ No

g. Do you collect materials for recycling? (Paper, plastic, oil,

battery, fabric trims)   ☐ Yes   ☐ No

h. Do you use organic materials in production?   ☐ Yes   ☐ No

i. Do you use recycled materials in production?   ☐ Yes   ☐ No

j. Material consumption analysis?/Economization of raw

materials?   ☐ Yes   ☐ No

VII.   Environment

a. Do you have an environmental management system?   ☐ Yes   ☐ No

b. Do you select your suppliers using environmental criteria?   ☐ Yes   ☐ No

c. Do your suppliers demand conditions of you regarding

use of organic materials/green   ☐ Yes   ☐ No

chemistry/recycling/environmental protection?   ☐ Yes   ☐ No

d. Do you know the environmental and/or carbon footprint

along the product lifecycle?   ☐ Yes   ☐ No

e. Have you already implemented water recovery projects?   ☐ Yes   ☐ No

f. Have you already implemented energy saving projects? ☐ Yes ☐ No

▶ A.2. List of contacted enterprises

Below is the list of enterprises that received the questionnaire (Table 8). There were follow-up phone interviews with some of these companies.

Number	Enterprise	Production
1	Amantia AS-GA	Clothing
2	Rozi Impeks	Clothing
3	Seta	Clothing
4	Filanto	Footwear
5	Fital shpk	Footwear
6	Ja-Ada	Footwear
7	Oseku shpk	Clothing
8	Caro shpk	Footwear
9	Cukali	Clothing
10	Florbest 2003	Clothing
11	Gruppo Sorrentino	Clothing
12	Kavin	Clothing
13	Kristal 2001	Clothing
14	Laurus	Clothing
15	Sil&Aid Quadri Foglio	Clothing
16	Bertoni	Clothing
17	G.I.G	Footwear
18	Angelo shoes	Footwear
19	Doniana	Footwear
20	Picari	Footwear
21	AFM Distribution	Clothing
22	Ambra	Clothing
23	Bashllari	Clothing

Number	Enterprise	Production
24	Bella Confex	Clothing
25	Blue Sky	Clothing
26	Endi shpk	Footwear
27	Sam Wear	Clothing
28	Konfitirana	Clothing
29	Melgushi	Clothing
30	Naber	Clothing
31	Ola 1	Clothing
32	Omega	Clothing
33	Ones	Clothing
34	Tremaglia	Clothing
35	Kler	Clothing
36	Marlotex	Clothing
37	DBS Group	Clothing
38	Mito 2	Footwear
39	Madish	Clothing
40	Spaniel shpk	Clothing
41	Alitex	Clothing
42	CAFRA (Albaco shoes)	Footwear
43	Remal	Footwear
44	Asol	Footwear
45	Mas-Torr	Footwear
46	Setex	Clothing
47	Dyrrahsped	Clothing
48	ND Albania	Clothing
49	Dikakonfex	Clothing
50	VIGA shpk	Leather processing
51	AP Group	Clothing

▶ A.3. Results of the good practices survey

1.	Characteristics of enterprises	Survey Results
1.1.	Company ownership	• 80% of participant enterprises have 100% Albanian ownership. • 18% of participant enterprises are jointly owned by Albanian and international investors.
1.2.	Enterprise size	• 7 participant enterprises have less than 50 employees. • 18 participant enterprises have between 51-200 employees. • 4 participant enterprises have more than 350 employees. • 90% of employees in the surveyed enterprises are females.
1.3.	Number of clients	• 64% of participant enterprises have 1-5 clients. • 14% of enterprises have 6-10 clients. • 22% of participant enterprises have more than 10 clients.
1.4.	Location of enterprises	• Participant enterprises are mainly located in Tirana, Shkoder, Durres, Kruje, Berat and Fier.
1.5.	Year of establishment	• 32% of participant enterprises before 1995. • 5% of participant enterprises between 1995 and 2000.
2.	Sustainable development goals	Survey Results
2.1.	Grievance mechanism	• 67% of participant enterprises have grievance mechanism. • 33% of participant enterprises do not have grievance mechanism.
2.2.	Written employee procedures	• 85% of participant enterprises have written employment procedures. • 15% of participant enterprises do not have written employment procedures.
2.3.	Organizational structure of enterprises	• 74% of participant enterprises have an organizational structure. • 26% of participant enterprises do not have an organizational structure.
2.4.	Seasonal workers	• 74% of participant enterprises employee seasonal workers. • 26% of participant enterprises do not employee seasonal workers.
2.5.	Gender related projects	• 67% of participant enterprises have gender related projects. • 33% of participant enterprises do not have gender related projects.
2.6.	Regular meetings between manager and employees	• 96% of participant enterprises have regular meetings between manager and employees. • 4% of participant enterprises do not have regular meetings between manager and employees.

2.7.	Quality policy and quality system	• 96% of participant enterprises have a quality policy and quality system. • 4% of participant enterprises do not have a quality policy and quality system.
2.8.	Quality control or inspection performed in companies	• 51% of participant enterprises perform quality control along the line. • 37% of participant enterprises perform quality control at the end of the line • 11% of participant enterprises perform quality control only at the end of line.
2.9.	Human resource policies and guidelines	• 70% of participant enterprises have human resource policies and guidelines. • 30% of participant enterprises do not have human resource policies and guidelines.
2.10.	Employees job descriptions in employment contracts	• 85% of participant enterprises have employee job descriptions in employment contracts. • 15% of participant enterprises do not have employee job descriptions in employment contracts.
2.11.	Compliance with minimum wage regulation	• 100% of participant enterprises are compliant with minimum wage regulations.
2.12.	Overtime hours of work	• 78% of participant enterprises have overtime working hours. • 22% of participant enterprises do not have overtime working hours.
2.13.	Tracking of overtime	• 89% of participant enterprises track overtime. • 11% of participant enterprises (3 in total) do not track overtime.
2.14.	Training plan for new employees	• 74.1% of participant enterprises train new employees according to a training plan. • 18.5% of participant enterprises do not train new employees according to a training plan. • 7.4% of participant enterprises rely on hiring trained employees.
2.15.	Occupational health and safety regulations	• 96% of participant enterprises have occupational health and safety regulations. • 4% of participant enterprises do not have occupational health and safety regulations.
2.16.	Tracking of work accidents	• 25 participant enterprises track work accidents. • 2 participant enterprises do not track work accidents.
2.17.	Research and development	• 36% of participant enterprises have at least one staff member dedicated to research and development. • 64% of participant enterprises do not have at least one staff member dedicated to research and development.
2.18.	Skills and staff need	• 54% of participating enterprises need sewing operators • 13% of participating enterprises need qualified production managers, quality controllers, engineers, or machine technicians.

3.	Management system	Survey Results
3.1.	Written procedures for processes, maintenance, handling and storage of chemicals	• 39% of participating enterprises have written procedures for processes, maintenance, handling, and storage of chemicals. • 61% of participating enterprises do not have written procedures for processes, maintenance, handling, and storage of chemicals..
3.2.	Use of hazardous chemicals	• 39% of participating enterprises use hazardous chemicals. • 61% of participating enterprises do not use hazardous chemicals.
3.3.	Protection against chemicals	• 54% of participant enterprises have a chemical protection plan. • 46% of participant enterprises do not have a chemical protection plan.
3.4.	Emergency plan	• 100% of participant enterprises have an emergency plan, covering evacuation, fire, or chemical accidents.
3.5.	Cooperation with labour offices when hiring new employees	• 80% of participant enterprises cooperate with the national labour office when hiring new employees. • 46% of participant enterprises do not cooperate with the national labour office when hiring new employees.
3.6.	Tracking the level of absenteeism or leaves	• 93% of participant enterprises track the level of absenteeism or leaves. • 7% of participant enterprises do not track the level of absenteeism or leaves.
3.7.	Machine maintenance plan	• 93% of participant enterprises have a machine maintenance plan. • 7% of participant enterprises do not have a machine maintenance plan.
3.8.	Policy about unused machines and spare parts	• 64% of participant enterprises have a policy to keep spare parts for maintenance. • 7% of participant enterprises do not have have a policy to keep spare parts for maintenance.
4.	Products	Survey Results
4.1.	Main products	• 23 enterprises are involved in manufacturing of garments. • 3 enterprises are involved in the footwear manufacturing. • 1 enterprise is involved both in manufacturing of work wear and military uniforms. • 1 enterprise is involved in leather processing. • 1 enterprise is involved in manufacturing of fabrics.
4.2.	Product destinations	• Italy (40%) • EU market (28%) • Germany (16%) • Greece (4%) • China (4%)

		• United Kingdom (4%) • Home market (4%)
4.3.	Monthly volume of production	• 8% of participant enterprises with 1,000-3,000 pieces/month. • 8% of participant enterprises with 3,000-5,000 pieces/month. • 8% of participant enterprises with 5,000-10,000 pieces/month. • 27% of participant enterprises with 10,000-30,000 pieces/month • 11% of participant enterprises with 30,000-50,000 pieces/month. • 15% of participant enterprises with 50,000-100,000 pieces/month. • 8% with over 100,000 pieces/month. • 15% of participant enterprises did not answer.
4.4.	Tracking of new styles	• 68% of participant enterprises keep a register of new styles. • 32% of participant enterprises do not keep a register of new styles.
4.5.	Difficulties with new styles	• 21% of participant enterprises have difficulties with new styles. • 75% of participant enterprises do not have difficulties with new styles. • 4% of participant enterprises considered this question as not relevant.
4.6.	Product design	• 26% of participant enterprises are able to design products. • 74% of participant enterprises are not able to design products.
4.7.	Longevity of products	• 59% of participant enterprises have information on product lifecycle. • 41% of participant enterprises do not have information on product lifecycle.
4.8.	Time measurement	• 96% of participant enterprises record production time. • 4% of participant enterprises do not record production time.
4.9.	Product technical specifications	• 59% of participant enterprises can prepare technical specifications for their products. • 41% of participant enterprises cannot prepare technical specifications for their products.
4.10.	Raw material testing	• 30% of participant enterprises test raw materials. • 70% of participant enterprises do not test raw materials.
5.	**Processes**	**Survey Results**
5.1.	Business model	• 48% of participant enterprises are full package/full cycle production. • 22% of participant enterprises are cut, make, and trim. • 11% of participant enterprises have their own brand. • 8% of participant enterprises are only make. • 7% of participant enterprises are cut and make. • 4% of participant enterprises are atelier.
5.2.	Automatization of enterprises	• 93% of participant enterprises have some automatic or semi-automatic machines. • 7% of participant enterprises do not have some automatic or semi-automatic machines.

5.3.	Investment plans	• 24 participant enterprises have investment plans for investments in technology. • 4 participant enterprises do not have investment plans for investments in technology.
5.4.	Finishing processes	• 17% of participant enterprises have finishing processes. • 83% of participant enterprises do not have finishing processes.
5.5.	Pattern making	• 67% of participant enterprises receive patterns designed by clients. • 26% of participant enterprises design products using CAD/CAM, mostly for own brand. • 7% of participant enterprises design products manually.
6.	**Materials**	**Survey Results**
6.1.	Sourcing of raw materials	• 32% of participant enterprises source raw materials. • 68% of participant enterprises do not source raw materials.
6.2.	Storage of raw materials	• 32% of participant enterprises source raw materials. • 68% of participant enterprises do not source raw materials.
6.3.	Standards for storage of raw materials	• 43% of participant enterprises have acclimatization standards for raw materials. • 57% of participant enterprises do not have acclimatization standards for raw materials.
6.4.	Raw material fiber testing	• 11% of participant enterprises test raw materials or have information about fiber content. • 89% of participant enterprises do not test raw materials or have information about fiber content.
6.5.	Interest in new suppliers	• 46% of participant enterprises have interests in new suppliers of raw materials. • 54% of participant enterprises do not have interest in new suppliers of raw materials.
6.6.	Waster separation and cycling	• 36% of participant enterprises separate or recycle their waste. • 64% of participant enterprises do not separate or recycle their waste.
6.7.	Material collection for recycling	• 24 enterprises collect more than one material for recycling (paper, plastic, oil, battery, fabric, trims).
6.8.	Use of organic materials	• 7.4% of participant enterprises use organic materials. • 48.2% of participant enterprises depend on their clients for the use of organic materials. • 44.4% of participant enterprises do not use organic materials.
6.9.	Use of recycled materials	• 17.9% of participant enterprises use organic recycled materials. • 53.5% of participant enterprises depend on their clients for the use of recycled materials. • 28.6% of participant enterprises do not use recycled materials.

6.10.	Evaluation of raw material consumption	• 50% of participant enterprises evaluate consumption of raw materials (yield). • 38.5% of participant enterprises depend on their clients for evaluation of consumption of raw materials (yield). • 11.5% of participant enterprises do not evaluate the consumption of raw materials (yield).
7.	**Materials**	**Survey Results**
7.1.	Environmental management system	• 73% of participant enterprises have an environmental management system. • 27% of participant enterprises do not have an environmental management system.
7.2.	Environmental protection in client selection	• 39% of participant enterprises use environmental protection criteria in client selection. • 61% of participant enterprises do not use environmental protection criteria in client selection.
7.3.	Client requirements in using organic materials	• 40% of participant enterprises have clients that ask for the use of organic materials. • 60% of participant enterprise do not have clients that ask for the use of organic materials.
7.4.	Application of environmental, carbon, footprint information	• 25% of participant enterprises apply material, water, or carbon footprint. • 71% of participant enterprise do not apply material, water, or carbon footprint. • 4% of participant enterprises did not reply to this question.
7.5.	Water recovery and energy saving project.	• 43% of participant enterprises have water recovery and energy saving projects. • 71% of participant enterprise do not have material, water, or carbon footprint. • 3% of participant enterprises did not reply to this question.
7.6.	Energy savings plan	• 86% of participant enterprises have energy savings plans. • 14% of participant enterprises do not have energy savings plans.

▶ A.4.Main clients of enterprises participating in the survey

Not all the respondents specified their customers. Most enterprises listed some of their most important customers. They include:

Number	Clients
1	CALIDA Group
2	Catapano s.r.l.
3	CBF Balducci S.p.A Italia
4	Cotton
5	DBS Group
6	Decathlon, Arena
7	Emminence S.r.l
8	Emmeco
9	Hogan
10	Karlin Enterprise
11	Koutny Tzech Republic
12	Liu Jo
13	Manifatture dell Nord
14	Max Mara Group
15	Nikatex Fashion Group
16	Synergy Group
17	TR S.r.l
18	Wahler Germany

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