



**REPUBLIC OF ALBANIA**  
**MINISTRY OF ECONOMY, TRADE AND ENERGY**

BUSINESS AND  
INVESTMENT  
DEVELOPMENT  
STRATEGY  
( 2007- 2013)

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## **WORKING GROUP**

Pursuant to Prime Minister's Order No 134 of 12.06.2006 "On the Preparation and Drafting of the National Strategy for Development and Integration" and the Minister of Economy, Trade and Energy's Order No 561 of 2.08.2006, a Working Group was established for the development of the Business and Investment (Economy) Development Strategy, with the following members:

Bashkim Sykja  
Artur Pilkati  
Pranvera Kastrati  
Mimoza Simixhiu  
Gene Luarasi  
Denis Kalenja/ Gavril Lasku

In addition to the Working Group, the staff of the following METE departments gave an invaluable contribution to the preparation of this draft:  
The Departments of Business Promotion, Strategic Planning, Trade Policies, Licenses and Contract Management, Industrial Policies, and Albinvest, and the advisory board.

*World Bank consultant:* Artur Kasimati  
*Local Consultant:* Prof. Ahmet MANCELLARI

## **STRATEGIC GOAL AND VISION**

Since late 1990s the Government of Albania has taken a series of structural reforms including the land reform, the reform in the financial market, price liberalization and privatization. Over this time, almost all small and medium-sized enterprises were privatized, and there has been significant progress in the privatization of strategic sectors such as telecommunications and banking. The banking sector has gradually increased the number of its financial services and crediting for businesses. Thanks to a rigorous macroeconomic program the Government has implemented after the transition period, Albania managed to achieve a macroeconomic stability soon, which was also coupled with satisfactory GDP growth rates. Real economic growth has been about 7% since 1992. Inflation has been kept under control at a rate of 2-4%, and unemployment rate fell by 0.3% last year. The trade balance continues to be negative despite increased exports. In 2006 exports and imports have been projected to increase by 8.7% and 6.5%, respectively, compared with 2005.

The private sector in Albania is the main driver of the economic growth, at about 80% of GDP. The Albanian economy is now completely open, with an entirely liberalized trade and an entirely privately owned banking sector.

To further support and promote economic growth, Albania took a series of measures in 2006 to support private sector and foster business start-ups. It signed the European Charter for Small Enterprises, and its policies are guided by European standards and practices. Priority has been given to the development of small and medium-sized businesses, mainly by supporting the development of extraction and processing industries and non-food industries, and relying on a more rational use of local resources. In the context of promoting and developing those sectors, the fiscal policy, too, has aimed at reducing their tax burden. So, in 2006 the Small Business Tax rate was halved, and the Corporate Income Tax rate was reduced to 20% from 23%.

Foreign Direct Investment is estimated to be lower than in other countries in the region. FDI flows are estimated at less than 3% of GDP. In 2005 FDI was about US\$243 million. In 2006, foreign investment will be ensured mainly through the process of strategic sector privatizations and a series of other measures for the establishment and development of industrial areas and parks and legislation improvements such as the Law on Concession.

Economic growth has been projected to rely on clear policies for increasing foreign investment, which has been projected to double in the medium-term period. This is going to be achieved by improving the business climate and business infrastructure, reducing the informal economy, expediting the privatization process in strategic sectors such telecommunications and insurance, extending and further developing the banking sector, developing the insurance market, increasing investment in the sector of oil and gas, and developing seaport and airport services. In addition, investment in energy and infrastructure remains a priority for the Government, where, in cooperation with other donors, it will aim at raising additional funds by also

promoting partnership with the private sector, which is considered a real potential for generating savings in the economy and freeing budget funds in order to use them in priority sectors.

In the context of improving and establishing a business and investment friendly environment, the Government of Albania has undertaken a regulatory reform, which aims at reducing administrative barriers and business costs. This process is regarded as closely related to improving the efficiency of services provided by the public administration.

Albania is implementing all Free Trade Agreements with Southeast European countries successfully. It has signed a single FTA with CEFTA countries, and it has approximated and started to implement the interim Free Trade Agreement with the European Union. Albania has also finalized a Free Trade Agreement with Turkey. While a number of Free Trade Agreements have been signed successfully in the areas of transport and infrastructure, they are yet to yield any due efficiency with regard to trade and tariff cooperation, by developing the same liberalization process in the domestic market, which could bring new energy for industrial development, product research and development, new export businesses, appropriate conditions for the development of entrepreneurship culture, business clusters, technological cooperation and innovation. If the strategy facilitates the process of developing market institutions, combined with the coordination role of the state along the strengthening of liberal or coordination philosophy in the medium-term period, then we will have a development model in place which will set a fair balance in the operation of the free market.

In the past few years there has been a steady increasing trend of money compared to GDP. The money/GDP (M3/GDP) ratio has reached about 71%, with a continuous increasing trend. While this ratio or financial depth is comparable with developed countries, there is still a considerable amount of cash outside the banking system. Credit to economy is about 17.5% of GDP, thus generating a “balance of liquidity” in the banking system. Lack of a capital market, unresolved property ownership rights, an undeveloped financial system and high loan collateral requirements and interest rates are obstacles to business access to financial sources, which has led to an informal lending market. The mitigation of this gap between the big demand for investment and available financial resources will be one of the economic policy priorities.

The global economy is going through rapid, comprehensive developments. It is showing fast qualitative transformations, which are based on the rapid development of technology and knowledge. The existence of space concepts and divisions is increasingly being adapted to the overcoming of national borders and the redrawing of economic borders based on regions and market areas.

Discussions on how the government, enterprises and experts can respond to increased competition from the globalization process include such issues as the rapid opening of

markets, the shift toward a service-oriented economy, the migration of population to urban centers, the reduction of the specific share of agriculture in the national economy, the obstacles the sector manufacture faces, and unemployment. Efforts for building market institutions—which, it should be recognized, have gone through great difficulties related to lack of culture and heritage, leading to the growth of informal economy and corruption—are now useful lessons to be considered when taking a coherent approach to business development needs.

*The Strategy aims at establishing a stable Government-business partnership and friendly environment for the application of investment and export policies through industrialization and orienting investment to high-technology branches.*

*The mission of the Strategy is to guide the Government policy toward the steady growth and dynamic development of Albanian business entrepreneurship, productivity and competitiveness, investment promotion and orientation, and better use of financial, human and natural resources, etc.*

To understand the planning process of business development policies for 2007-2013 better, the aim is to assess general principles in new elements and areas. These will characterize the dynamics of strategic development in combination with best practices and positive experience from the past, while taking care to replace outdated attitudes and to ensure cost effectiveness of this process.

**First**, the dynamic actions to improve business climate, establish regulatory and institutional mechanisms in order to streamline business registration and licensing processes and reduce its costs, and the measures to reduce informal economy and ensure fair competition in the market will have an important impact on promoting business in Albania.

**Second**, according to our previous studies that have informed the development of these policies the following business development policy issues have been overlooked due to our increased focus on factors and elements that might have yielded quick results (privatization of the economy and development of the banking sector and infrastructure): Education and training of human resources, which takes a relatively longer time of investment return, but which is essential for the achievement of business productivity and competitiveness indicators. In the framework of this Strategy, investment in education and training is not considered as one additional cost but as strategic activities that enable improved standards to promote learning, innovation and business creativity.

**Third**, while in the past the fast pace of market liberalization reforms did not allow for detailed assessments of sectors and products with competitive potential—even the performed assessments in these areas focused on the current potential of the Albanian economy to internationalize and integrate into international markets, including agro-business and tourism—now the perspective should go beyond the potential horizon, not aiming at quick specialization in the context of providing for diversification of

existing and new sectors and products. ***One challenge to this Strategy*** is to enable factors that would gradually transform our economic structure and ensure a long-term transition from an economy of low added-value goods production and export to an economy with high added value sectors and products.

***Fourth***, the Strategy underlines the fact that SME, Export and FDI promotion policies will be coordinated well, as an organic link among creation, growth and institutionalization of local businesses, and the possibility to establish partnerships between FDI and SMEs in the value chain. In order to enable a good flow of this process, the strategy will include specific measures for technology transfer and innovation, research and development, partnership with universities and academic resources.

***Fifth***, unlike previous plans, this strategy is based on efforts for matching its financial costs with the sources that will be used to finance costs. As domestic sources are limited and donor funds depend on their policies, care has been taken to prioritize specific measures and actions in order to enable the critical flow of projects and actions throughout the period of time. The intention is to develop and implement priority projects that are relevant to each other, while also working for raising funds for other projects under this strategy.

The development and implementation of the strategy is also another opportunity of having a better interaction with other sector strategies, in order to achieve maximum efficiency and effectiveness at all its decision-making and implementation levels.

## **I. BUSINESS CLIMATE**

### **1.1 Overview**

In 2005 the contribution of the private sector was estimated to be about 80% of GDP, and about 67% of the overall employment. 99% of active companies are with Albanian capital, while less than 1% are joint ventures or foreign-capital companies. They contribute to about 13% of overall employment. The number of state-owned companies is only 0.5%, and they have about 20% of the employed. According to INSTAT the number of active private entities at the end of 2005 was 64,710, which was 15% higher than in 2004.

Despite the progress, it should be noted that business climate in Albania still reflects problems related to the regulatory environment, rate of informality, corruption, etc.

During its transition, Albania has established a comprehensive framework of laws and regulations to enable the operation of businesses in a country that is continuously developing toward an open and competitive economy. Before we touch upon some of the problems and issues that are related to the implementation and impact of those laws, here is a brief description of the legislative development in the past.

In Albania laws regulate the Company Registry, companies, licensing, privatization, competition, state aid, financing, insurance, intellectual property rights, real estate, bankruptcy, taxes, employment and the labor market, administrative procedures, and a number of other aspects which are in the process of improvement or development.

Based on the experience it has gained and the results it has identified the Government of Albania has revised several elements of the legal framework, and it will continue to revise, particularly, issues related to the implementation of SAA.

In addition, in the context of its fight against informal economy and corruption, the Albanian Government is in the process of improving the legal framework, especially in the area of reducing administrative barriers, business registration and taxes, which will ultimately increase foreign and local investors' confidence, legal transparency and fair competition in the market.

In 2006, the Government took a whole regulatory reform, which is a dynamic and comprehensive program for establishing an attractive regulatory environment for new local and foreign investment projects. The reform is guided by the goal to achieve European Union standards, as a must for all Albanian institutions in the context of the economic integration challenges.

#### ***1.1.1 An Overview of Business Sector Development***

##### ***1.1.1.a Economic freedom***

The Albanian economy is now completely open, with an entirely liberalized trade and an entirely privately owned banking sector. Albania became a World Trade Organization member in 2000. The Albanian trade regime is estimated to be quite liberal, with moderate custom tariffs, a facilitated license system, and almost non-existence of non-tariff barriers.

*- Economic integration*

Important medium-to-long-term goals of this strategy include: **i)** further liberalize trade, **ii)** monitor inter-institutional coordination in order to ensure concordance of the Albanian economic and trade legislation with WTO and EU standards, **iii)** implement CEFTA and the Interim Agreement with EU.

*- A correct implementation fully in compliance with European Union standards* of the policies for free movement of goods, increasing the access of Albanian exporters to regional and European markets.

*- The privatization* of strategic sectors is the most important stage of the privatization process, which ensures the consolidation of the new capital market and establishes the conditions for encouraging foreign investment in important sectors of the economy. The privatization of strategic sectors enables the transfer of public rights to private entities in the sectors of energy, telecommunications, mining, oil and gas, transport infrastructure (ports, airports, railways, etc.) and establish the legal and regulatory conditions for ensuring market liberalization for private investors, and, at the same time, developing a real competition between the state and private operators.

*- Ensure and improve the effective dialogue between the Government and businesses.* The development of the country needs the interaction of many players, among which one key element is the Government-business partnership. Not only is this related to the Government need to have the business community as its partner, but it also reflects the increasing authority and voice of the business community, which has reached a certain maturity in the way it copes with the challenges of a developing economy. The establishment of the necessary legal framework that institutionalizes the dialogue will further contribute to the business climate.

According to the economic freedom index<sup>1</sup>, Albania is ranked 52<sup>nd</sup>, as one of the countries with the most economic freedom (2.00-2.99). The economic freedom index for Albania has been improving, from 3.23 in 2003 to 2.75 in 2006 (the lower the index the more economic freedom in a country).

### ***1.1.1.b Albanian economy competitiveness***

The competitiveness of the Albanian economy is assessed according to the competitiveness growth index for 2006-2007<sup>2</sup>. The economic competitiveness index was 3.46 out of 6, which was higher than the previous year (3.07). Albania is ranked 98<sup>th</sup> (two steps higher than the previous year) and is ranked last in the region with regard to the competitiveness of its economy.

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<sup>1</sup> Economic freedom index published by The Wall Street Journal, 2006

<sup>2</sup> World Economic Forum 200—2007 Global Competitiveness Report

### **1.1.1.c Corruption**

According to the corruption perception index<sup>3</sup>, Albania is considered as a country with high corruption, and in 2006 it was ranked 111<sup>th</sup> out of 163 countries, with a corruption perception index of 2.6, which was better than 2005 when it was ranked 126<sup>th</sup> with a corruption perception index of 2.4.

### **1.1.1.d Competition**

*Ensure equal access to the market, and fight monopolies.* Economic development and business consolidation need ensured equal access to the market through the elimination of monopolies. According to OECD Report<sup>4</sup>, Albania has prepared its legislative framework and established independent competition institutions, namely the Competition Authority. In addition, the State Aid Department at METE has been established and started operating.

While free market competition has slightly improved, a lot remains to be done with regard to institutional strengthening, with the focus on the efficient operation of the Competition Authority and the strengthening of market supervision structures, especially market inspectorates such as the Central Technical Inspectorate, the Directorate of Standardization, Accreditation, Metrology and Calibration, etc. Also, in order to strengthen the State Aid Department role there is a need to register state aid schemes and check whether they fully comply with EU recommendations.

### **1.1.1.e Business financing**

17 commercial banks operate in Albania, in addition to a series of micro-credit institutes, which have established branch offices across the country. In addition to foreign-capital banks, Albanian-capital banks are increasing their crediting to businesses.

The stable macroeconomic and financial environment has provided the appropriate conditions for increased crediting. Crediting to the economy increased significantly in 2005 and 2006. Bank of Albania data<sup>5</sup> show that

- Bank credit portfolio increased by 52% compared with 2005;
- Crediting to the private sector was ALL 184.9 billion, or 20.6% of GDP, at the end of 2006;
- Credit portfolio was 29.8% of bank assets.
- 66.6% of the credit portfolio was business loans, which were ALL 179.5 billion in November 2006, while 33.4% was individual loans.
- 61% of business loans are given to small businesses.

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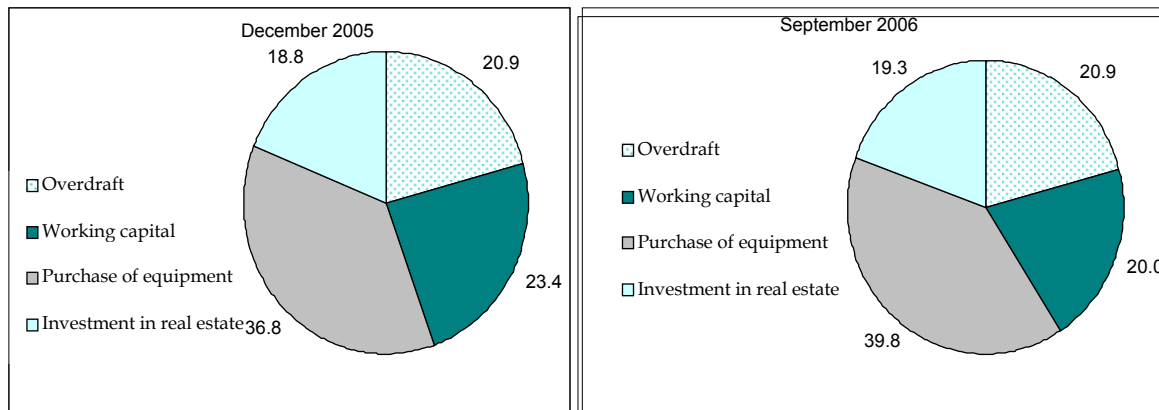
<sup>3</sup> International Transparency Report “Global Corruption Watch”, 2006

<sup>4</sup> OECD Progress Report on Political Reforms and Investment Reform Index, 2006

<sup>5</sup> Bank of Albania Economic Bulletin, November 2006

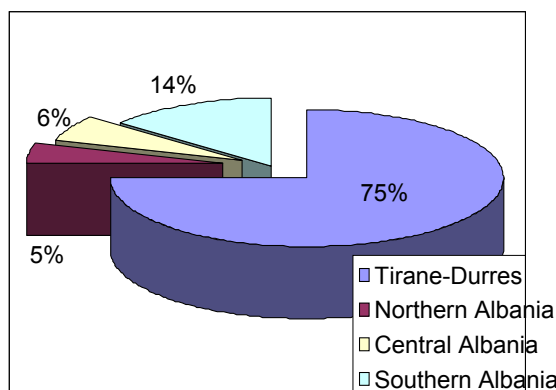
- Compared with the end of 2005, loans to small and medium-sized businesses increased by ALL 17.6 billion, or 40% of the overall rise in crediting.
- Micro-credit financial institute assets are about 2.1% of total assets of financial institutions.
- Loans given by micro-credit institutes are only 6% of total crediting to the economy.
- About 40% of the loans are used to purchase plants and equipment.
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Graph 3, 4. Structure of crediting to businesses

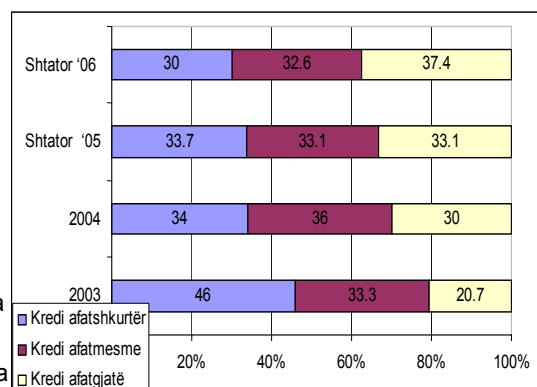


- Crediting in the District of Tirana and the District of Durres was 75% of total crediting (until June 2006). The rest of the portfolio was distributed as per the following: 5 % allocated to the Northern Region; 6 % allocated to Central Albania; And 15% in the south.
- Long-term loans were 37.9 % of the crediting until November 2006, with an annual increase. In 2003, long-term crediting was only 20.7%.
- Short-term crediting was 28.8% of total crediting to business in November 2006, which has fallen compared with 2003 when it was 46% of the crediting.

Graph 5. Geographical distribution of loans



Graph 6. Crediting structure



### 1.1.1.f Informal economy

Informality is one of the main indicators of a country's economy development. Assessment and monitoring of that indicator is also related to the performance of basic state institutions, the level of legislation implementation, level of corruption, etc.

Losses incurred by the state because of informal economy and labor are great, and they should be considered in several areas. Failure to collect taxes and contributions leads to a poorer state budget and less investment in public services. Every government has a bill of social responsibility, which is also a threat. This is particularly true for pensions and salaries and public services.

The 2004 OECD study on Albania has been considered as one the most complete assessments of this indicator. In this context, the Task Force on this issue has focused on the informal economy consequences on business and entrepreneurship development and has prepared a medium-term program, which has already given positive results.

The unobserved economy share of GDP is still significant. According to INSTAT recent estimates, the unobserved economy is **28-30% of GDP**. In fact, the essence of measures for the reduction of informal economy, which the OECD study considers as threatening to competition, is the development and implementation of fiscal and social insurance policies. Policies should aim at reducing the fiscal burden, which is the best way to formalize economy.

The goal to increase budget revenues share of GDP should increasingly rely on the effectiveness of the tax administration.

**Cash economy** is one of the most sensitive issues related to the informal economy, which is not channeled through the banking system. Only 1/3 of cash transactions are performed through the banking system. The phenomenon also affects the monetary policy. From this perspective, statistics show that Albanians still keep a considerable amount of their incomes in cash, which is higher than in other countries in the region. The failure to channel money through the banking system has a negative impact on the economic growth, too, particularly with regard to investment in manufacturing. Cash discourages the development of the private sector, reflected in the ineffective functioning of the crediting system, which is the core element of business capital and expansion. The banking and financial institutions' role should be bigger and more active in allocating incomes where their use is more profitable.

The issue of a more efficient payment system should be addressed in order to establish facilitating conditions and provide more products in the market, which would increase business access to banks.

The reduction of the informal economy is a component of this strategy. The interministerial group on informal economy has reviewed the Action Plan on the Reduction of Informal Economy, as approved by Council of Ministers' Decree No 246 of 21.04.2005. A new medium-term action plan on the reduction of informal economy has been developed, the measures of which aim at eliminating fiscal evasion in the area of taxes and social insurance and reducing cash economy. The updated

plan was approved by the Government Decree No 430 of 28.06.2006, “On the Approval of the Revised Action Plan on the Reduction of Informal Economy for 2006-2009”, and the Prime Minister’s Order No 145 of 27.06.2006, “On the Re-organization of the Central Group for Revising and Implementing the Action Plan on the Reduction of Informal Economy”. The strategy gives a special focus on monitoring the program in the next few years, and, particularly, assessing the impact of the measures on the reduction of informal economy.

### ***1.1.1.g Tax policy***

The administration has continuously focused its efforts on the relationships between the business community—and its demands—and the tax administration. One of the major concerns, which underline the importance of the relationship, is the attitude of the tax administration and its relationship with the business community. It should be noted that considerable progress has been made in this area through the consolidation of the dialogue between the tax administration and businesses and including the latter in joint structures such as the Tax Appeal Committee. A significant indicator of the improved dialogue is the already established tradition in the area of discussions on the Fiscal Package. The business community is an important player in this process. Not only does it take part in the discussion of the final draft fiscal package, but it also participates throughout the process of preparing it.

On the other hand, it is important to establish mutual trust between the tax administration and businesses in order to contribute to increased effectiveness of both players. Both the efforts for and contribution to this issue should be mutual so that the achievement of the objective is ensured.

In 2005-2006 a series of liberal policies have been implemented in the area of taxes with the aim at reducing the fiscal burden on businesses:

- Reduction of corporate income tax from 23% to 20%.
- Reduction of simplified small business tax from 3% to 1.5%, (by amalgamating both taxes on small businesses) the collection of which has already been transferred to local governments.
- Exemption of newspaper, magazine and book supplies and advertisements on printed and electronic media from VAT.
- Reduction of the fiscal burden related to payroll taxes (social insurance) on employers from 29% to 20%.
- Reduction of electrical power price for businesses by about 30%.
- Exemption of non-banking financial institutions and foundations that have been established or transferred by Council of Ministers’ Decrees to support Government development policies with crediting from corporate income tax.
- Exemption of dividend incomes allocated to investment from taxes.
- Revocation of the requirement for annual registration of businesses.
- Clarity and transparency of appeal provisions.
- Exemption of non-Albanian goods and service supplies bound for export from VAT.

- Clarification of provisions on VAT refunding; reduction of refund timeframes; facilitation of refund procedures for exporting companies; Introduction of an interest payment requirement for the tax administration if it fails to effect refunding by the legal deadlines.

Although fiscal reforms have been adopted recently and there is a modern tax legal framework in place, the Ministry of Finance continues its efforts particularly for improving current fiscal instructions on the implementation of the legal framework.

#### ***1.1.1.h Facilitating businesses in Albania***

According to a 2006 World Bank report on doing business in Albania<sup>6</sup>, Albania was ranked 120 out of 175 assessed countries, three levels lower than in 2005. The following table shows how Albania ranked in various areas:

	Easiness of doing business	Investor protection	Tax payment	Cross-border trade	Contract enforcement	Closing a business
Albania	120	121	161	113	76	48

#### ***1.1.1.i Business entry procedures***

Business registration is estimated to take 39 days in Albania, with 11 steps needed, according to the World Bank Report “Doing Business 2007”.

- In the framework of the regulatory reform in 2006 the legal registration time for business registration with courts was reduced from 30 days to 8 days, (*Law No 9536 of 15.5.2006 “Amendments to Law No 7667 of 28.1.1993 “On Company Registration and Formalities to Be Observed by Companies”*). In addition, work has started for the computerization of the Company Registry in court, the establishment of a database of all companies operating in Albania, and the improvement of registration procedures; All these measures will reduce business registration time in Albania significantly.

In the long-term period the goal is to improve service quality and efficiency and reduce corruption at business registration. This will be achieved through the establishment of an entirely new model which will enable businesses to perform registration procedures at one place only.

In a three-year period the National Registration Center will become operational, which will be a one-stop-shop for business registration, in the framework of Millennium Challenge Account Project. These measures will lead to reduced registration time from eight days to one day, reduced share of businesses paying bribes at registration, and provision of online services.

<sup>6</sup>World Bank, "Doing Business 2007"

- On licensing, in the context of the Regulatory Reform work is being done in two stages: (i) overall review of the licensing system in order to reduce the existing administrative barriers, (ii) detailed review of the legal framework in each sector assessing the concordance with the Acquis communautaire and defining measures for harmonization.

In 2006 the legal framework on licensing in the sectors of mining, hydrocarbons and public works was amended. At the same time the analysis in the sector of transport has finished, and work is going on in the sector of health, while also working for the preparation of the respective reports. The first-stage review is planned to be completed by the end of 2006.

In the long-term period the aim is at simplifying and harmonizing licensing procedures across all sectors using the principles of good governance and the experience of Guillotine in a harmonized way, as well as principles of self-declaration and self-certification. The Government of Albania will aim at providing businesses with one-stop-shop services.

## **II. SME PROMOTION AND DEVELOPMENT**

### **2.1 SME Development Challenges and Goals**

SME development and contribution to the long-term economic stability will depend on their size and structure, which, in a well organized market, allows them to be flexible and able to adapt to the conditions of fierce competition. Modern economies operate as a complex network of companies, the competitiveness of which depends in part by the effectiveness of their suppliers. Therefore, SME competition affects the overall competitiveness of the whole economy.

Since inhibiting transaction costs are one of the most important barriers to SME development, the reduction of such costs would promote the expansion of SMEs, particularly of micro enterprises. SME development and performance is a real challenge in the context of opening of markets.

#### ***Strategic priorities in the development of this sector include:***

- Harmonization with sector strategies that have an impact on the SME sector.
- Ensured transparency of decisions, actions and actions affecting the business environment.
- Ensured fair competition and support for the integration of SMEs in the international market.
- Development of information technologies and entrepreneurship culture.

### **2.2 Overview: SME Sector Situation and Challenges**

#### ***2.2.1 Current Status of the SME Sector Development***

The development of the SME sector is considered as the most effective tool for sustainable growth, employment and poverty reduction in transition economies. In the past three years Albania has had an economic growth rate of 6%, which has been recognized as one the best in the region. The SME sector has certainly given its contribution to this process. SME share of GDP is estimated at 64%, and their share of private sector employment is estimated at 66%.

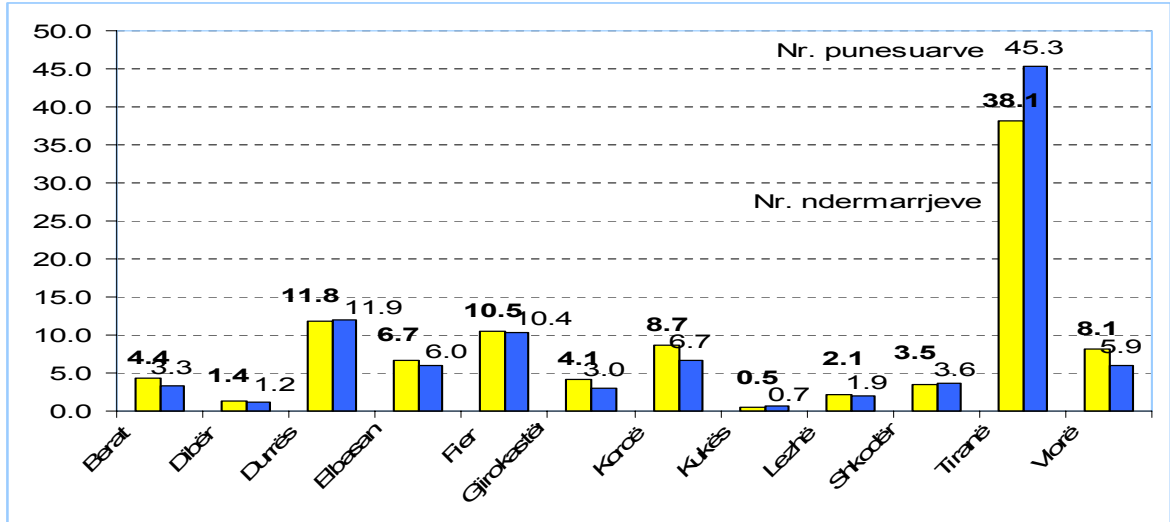
The SME sector has developed steadily during the transition. According to INSTAT the number of active private entities at the end of 2006 was 77,814, which was 20% higher than in 2005.

With regard to the employment structure, small and medium-sized enterprises with one to eighty employees are more than 99% of active companies in Albania. The number of companies with more than 80 employees is 348, while the number of companies with more than 250 employees is only 89. These data are in the focus of the business development policies.

In 2005 and 2006 the number of business start-ups increased rapidly to 9,993 and 14,372. The percentage of business start-up in 2006 was 18%, higher than 2005 that was 15%.

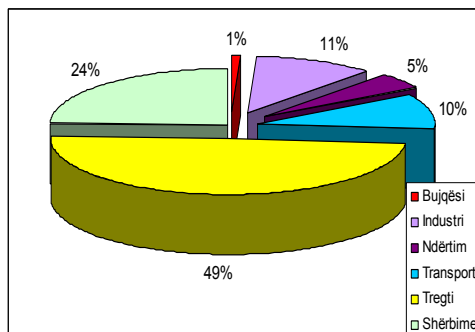
Regarding the geographical distribution of businesses across Albania, about 51% of active companies are in Tirana-Durres area, employing 57% of private sector employees. About 72.5% of foreign-capital companies are concentrated in the Prefecture of Tirana, about 7% in Korçë, about 4.4% in Shkodër, and 4% in Vlorë.

Graph 1: Geographical distribution of active companies and employees, 2005



The lowest percentages of companies are in the prefectures of Kukes (0,5%), Diber (1,4%), Lezhe (2,1%). The distribution of businesses across sectors is trade (49%), services (24%), industry (11%) and transport (10%) (*Annex II, 1*)

Graph 2: Distribution of active companies across sectors, 2005



The sectors of trade and services, where 75% of businesses operate, provide 45.2% of the private sector employment.

The turnover of the sectors of trade and services is about 63.8% of total turnover, followed by the turnover of the sectors of manufacture and construction, which is 36.2% of total turnover<sup>7</sup>.

## 2.3 SME Development Issues and Special Characteristics

### 2.3.1 Implementation of the European Charter for Small Enterprises policies

<sup>7</sup> INSTAT, ASN 2006

According to the October 2006 EU Report, Albania has made slight progress in the area policies for implementing the European Charter on Small Enterprises. According to the SME policy self-assessment report, which was carried out based on the OECD evaluation index of 10 dimensions, the SME policy index for Albania was 2 out of a maximum of five. This compares with the lowest levels of Western Balkans. The weakest dimensions are entrepreneurship education and training. Another weak dimension is the promotion of innovation and use of new technologies.

### ***2.3.2 Financing Schemes***

While SME financing has increased, it is still considered as inadequate for ensuring rapid development of the sector. In order to improve conditions for SME financing, several measures have been implemented in the past few years, which are mainly related to SME credit guarantee schemes.

Guarantee funds have been implemented in Albania under several separate projects in the area of SME support, mainly with USAID and UNOPS funding. The guarantee funds, however, have been limited only to support with funding in certain areas and SME categories, excluding most of SMEs. In addition, SMEs, particularly start-ups, face a lot of obstacles to getting credits from the banking sector, and credit costs are relatively high. Bank requirements are not favorable for businesses. More specifically, loan collateral that is required by banks varies from 120% to 150% of the loan, and credit interest rates are high even when a loan is intended to be used for investment in plant and machinery in a medium-term period.

### ***2.3.3 Internet and E-Commerce***

While in the past few years the number of internet users in Albania has increased, particularly among the youth, massive use of internet among small and medium-sized enterprises has not been achieved yet. The overall infrastructure is very poor; access has been limited to Tirana and very little in major districts, while it barely exists in the rest of the country. According to World Economic Forum Indicators<sup>8</sup>, there are 24 internet users per 1,000 people in Albania (in 2004), only 12 PCs per 1,000 people, and internet access rate was USD 28.60 per month. There is no legal framework in e-commerce and electronic signatures, which has led to a situation in which e-commerce barely exists.

### ***2.3.4 Technology Innovation***

In the past business incubator projects were installed and developed, but such schemes did not continue. There is only one business incubator in Albania, and that is in Tirana, while no industrial or technological parks have been established yet. A series of actions should be taken to increase the competitiveness of Albanian SMEs, from the preparation of the legal framework to the establishment of institutions to the development and implementation of an action plan.

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<sup>8</sup> World Economic Indicators 2006

### ***2.3.5 Creative Entrepreneurship***

The transition period has shown that the reallocation of resources in the economy is oriented toward the most productive sectors, including services, trade, hotels and restaurants. *At the same time, the contribution of creative businesses is very small and unsubstantial.* The creative industry relies on individual talent and craftsmanship, capable of producing and providing jobs, and is an integral part of intellectual property. This industry in Albania has heavily relied on traditional crafts.

In the recent past, however, new sectors of the creative industry have been developed in Albania: production of advertisements, graphic design studios, computer services, music and musical shows, television and radio, architecture studios, publishing house, film making, etc. The contribution of these sectors to economic growth is still very small, and INSTAT barely monitors or measures their contribution.

## **2.4 Main SME Development Policy Actions for 2007-2013**

SME development policies in the next few years are prepared in line with all SAA and European Partnership and the European Charter for Small Enterprises.

Being a Western Balkan country aspiring to become part of the European family and market, Albania is pursuing reform and economic development processes with the goal to reduce unemployment and increase productivity and competitiveness in the European economy.

While economic growth of Albania has been satisfactory in the past, it changed significantly at the moment of opening to the global market and has not significantly closed the gap with EU member states in relation to economic and social development indicators.

As a result of market liberalization reforms, privatization processes and institution establishment, a series of adaptation phenomena in the economic structure, labor market and social welfare had their own transition costs.

The liberalization process had a positive impact on the increased efficiency of investment due to economies of scale, which, in turn, led to increased investment, use of new technologies and establishment of new companies and technologies. It should be noted, however, that this was not coupled with adequate investment infrastructure, education and labor market. Small and medium-sized enterprises have been mostly affected by the business and investment climate.

From the perspective of objectives and activities included in this three-year program, it can be considered as an operational program, dependant on the harmonization of specific targets and expected results. From the perspective of its impact beyond its

timeframe, involved players and institutions, and financial resources to be mobilized by the Government and donors, the program can be considered as a strategic one.

Below are three harmonized levels of goals:

#### ***2.4.1. Strategic Level***

- a) Establish the SME Development Advisory Committee. For the preparation of the 2007-2009 SME Development Strategic Program advisory groups have been established with representatives from various areas related to SMEs, such as representatives from Regional Business Agencies, the banking system, some major projects that provide support for SMEs, donors and Albinvest and METE Business Promotion Department. The groups are:
- Entrepreneurship promotion group.
  - The group for the development of businesses with internationalization potential.
  - SME crediting enhancement group.

- b) Develop a strategic program for SME Development (action plan)

***Institutional level*** (supporting institutions: Albinvest, Network of Regional Development Agencies, Local Economic Development Agencies, consultancy agencies, etc.);

- c) ***Enterprise level*** (entrepreneurs and business organizations).

***The overall goal of the strategic program:*** Ensure sustainable economic development of SMEs through increased number of new enterprises and improved productivity, competitiveness and exports among companies with internationalization potential.

***Specific objectives,*** which will help achieve the overall goal, are:

***A. Promote entrepreneurship culture***

***B. Develop businesses with internationalization potential.***

***C. Increase SME financing***

Of course, the development in these areas will be preceded by measures for improving business climate for the development of the private sector.

#### ***2.4.2 Measures to Be Implemented in Each Direction***

##### ***2.4.2A. Promote entrepreneurship culture***

One of the long-term SME development priorities is the promotion of entrepreneurship culture. An entrepreneurship promotion strategy and action plan have been planned to be development. They will focus on the introduction of entrepreneurship in the formal and informal education and training.

*Measures:*

***a. Establish and improve management and training skills:***

Lack of management skills, which is a problem in several countries in the region, has a negative impact on SMEs. For this reason, another entrepreneurship culture and behavior should be instilled in the education of younger generations. Such actions are very important to the establishment of the necessary environment for education managers to ensure that the youth are informed about entrepreneurship culture and consider it as part of their education and a positive factor for their future employment. A new type of behavior should be instigated among women and young people.

Entrepreneurship learning has already been introduced as a basic skill for European citizens. Strategies developed in EU countries take into consideration the fact that this is a long-term learning process, starting with primary education to continue throughout the entire education cycle. The processes include not only a curriculum reform for all levels but also a series of other programs that aim at promoting an entrepreneurship culture such as school-business partnership, student enterprises, and reforms in schools and training facilities. The aim is to encourage universities to provide specialized courses of entrepreneurship in such areas as e-business, innovation technologies, etc.

Countries aspiring EU membership should consider entrepreneurship promotion projects with extra-curriculum activities for the youth. The media, too, should play their role in promoting the entrepreneurship culture. Activities include a promotional campaign on public television on entrepreneurship, total quality management, standards, accounting, etc. Other necessary products for strengthening the entrepreneurship culture include publications for entrepreneurs such as handbooks and informational newsletters.

Given that the entrepreneurship promotion strategy is based on a wide range of players and stakeholders, with the participation of many public and private institutions, and that its objectives are economic and business-oriented, METE has an important coordination role in the implementation of the program.

The following measures will be taken to improve the situation:

- Analysis of the mandatory nine-year education, general secondary education and vocational secondary education with regard to entrepreneurship skills.
- Development of programs for introducing entrepreneurship in basic education programs at all levels.
- Preparation of entrepreneurship curricula and training programs on entrepreneurship skills.
- Development of training programs for young people that want to start a business, graduates, and the unemployed, and retraining and informational programs.

- Increased number of internet users, particularly among secondary education students. The signing of an agreement between the Government of Albania and Microsoft Inc. is an important step that will affect the formal education process quality.

***b. Increase labor force qualification:*** through:

- Periodic analysis of training needs
- Preparation of training programs and modules on entrepreneurship
- Increased internet access, particularly among the public administration, as an important factor for the reduction of corruption and abuse of power with businesses.

***c. Promote creative enterprises*** through:

- Studies on creative enterprises in Albania
- Albanian handicraft development program
- Programs for entrepreneurship development with specific target groups such as women, young people, etc.

***2.4.2B. Develop businesses with internationalization potential.***

In the framework of regional and European integration, Albanian SMEs should be prepared to cope with competition from other companies in the region. To achieve that, the competitiveness of Albanian SMEs will have to be increased through the promotion of innovative SMEs and transfer of contemporary technologies.

*Measures:*

***a. Improve business climate for SME development***

- One-day business registration through the implementation of one-stop-shop business registration and the establishment of its network across the country.
- Establishment and development of a RIA system, which will provide integrated assessments and analyses of regulatory framework and policies
- Standardization and unification of licensing, authorization and certification criteria and procedures used by the central and local government.
- Revision of the Law on Companies in order to harmonize it with EU standards
- Development of a new Law on SMEs in order to approximate it with EU legislation
- Increased quality of business services.
  - Establish a database of consultants and trainers

- Strengthen capacities of centers that provide services for businesses
- Training of trainers and consultants by Albinvest
- Certification the quality of business services.
- Establishment of tax incentives for SMEs
  - Improve tax administration
  - Improve the tax payment system to reduce payment time and corruption in the process.
  - payment of taxes electronically
- Institutional strengthening at central and local government level in order to support businesses
- Improved institutional framework and public-private dialogue in order to ensure the implementation of coherent policies and measures for SME development promotion.

***b. Increase competitiveness through technology transfer and innovation.***

- Development of technology transfer and innovation strategy
- Development and implementation of training programs on SME competitiveness and internationalization potential
- Improved infrastructure of supporting export promotion institutions
- Preparation of a program for the establishment of a pilot R&D center at Tirana University
- A program for developing Albanian brand products, a pilot model.
- Support for the creation of innovative SMEs as an employment source
- Partnership program for the establishment of innovation centers
- Support for SMEs in priority economic (manufacturing) sectors
- Support for SMEs so that they are acquainted with and implement ISO, EC standard systems
- Establishment of a technology transfer and innovation promotion fund. In order to improve and transfer contemporary technology and given the high cost of crediting in the country, support schemes for technology transfer and innovation will be prepared.
- E-commerce development program; preparation of the legal framework on e-commerce and electronic signature.
- Establishment of industrial zones
- SME observatory. Annual and periodic SME performance analysis, studies and publications
- Establishment of the Euro Info Correspondence Center

***2.4.2C. Increase SME financing***

SME financing is perceived by SMEs as one of obstacles to their development. Economic stability is essential to the improvement of SME access to financing and

the establishment of a friendly business financial sector. The Government of Albania aims at further strengthening SME financing in the future in order to triple or quadruple it through the use of other instruments for supporting SMEs.

*Measures:*

***a. Increase crediting, and establish the Albanian Credit Guarantee Fund.***

- Establishment of credit guarantee funds: There is an increasing need for credit financing among SMEs. There is also the related need for further bank branch extension and increased credit facilities for SMEs, which are provided by commercial banks and a few other donors contributing to SME financing. A 3-year SME support program is planned to be implemented in 2007-2009, with funding from the Italian Government (EUR 30 million, of which EUR 2.5 million is a soft loan for the establishment of the Albanian Guarantee Fund and EUR 2.5 million is technical assistance).
- Application of other financial instruments, such as:
  - *implementation of factoring*
  - *improvement of leasing*
  - *guarantee schemes*
  - *public-private guarantee schemes*
  - *etc.*

***b. Increased funds for micro-credits.***

Non financial institutions will continue to be supported with micro-credit funds from international donors and the Government of Albania.

***c. Micro-credit institution capacity strengthening.***

There is a need for further strengthening capacities of micro credit institutions and their extension in order to cover both urban and rural areas across the country.

Action plan *ANEX II,2*

### **III. INVESTMENT PROMOTION IN NON-FOOD INDUSTRIES**

#### **3.1 Current Situation in the Non-Food Industrial Sector**

Over the past ten years, the non-food industry sector has gone through restructuring, privatization and, in some cases, liquidation processes. In addition to the privatization of the public manufacturing industry, the liquidation of facilities that do not meet development requirements and the reduction of the environmental impact, several production industries are being developed in order to be able to compete in regional markets.

Non-food industries that are currently active in Albania include clothing, wood, detergent and consumption chemicals, metallurgic and mechanical industry, leather processing, ceramic products, etc.

There are several manufacturing industries that are developing based on the use of local resources and establishing manufacturing activities that are market demand driven. Manufacturing industries are concentrated mainly in the counties of Tirana, Fier, Durres, and Elbasan. Less developed counties are in the northeast and southeast of the country. The most developed activities include clothing, leather processing, footwear, wood processing, metallurgy, plastic products (plumbing), etc. According to Ministry of Economy, Trade and Energy data, there are about 205 such entities.

### **3.2 Industrial Sector Role in the Strategy**

The industry sector is an important component of the Business and Investment Development Strategy, which, through a close public-private partnership, aims at establishing the right conditions in order to:

- Provide competitive and numerous products in the market;
- Give a significant contribution to GDP growth;
- Create jobs and increase the standard of living;
- Ensure environmental sustainability;
- Provide development opportunities for disadvantaged areas;
- Use natural resources rationally; and
- Contribute to export growth.

To achieve those outputs, the industrial sector development strategy—as an entirely or almost entirely privatized sector—will focus on promoting investment in this important sector through the achievement of a series of specific objectives and a program of relevant measures.

In the context of promoting the industrial sector development, priority will be given to the promotion of industrial parks and areas, through both brown field and green field investments with domestic and foreign private sector contribution.

Besides enhancement of the legal and institutional framework, government contribution to this sector will focus on indirect investment such as human resources, research and development of concessionary financing schemes, market information, etc. All the interventions planned for this sector are integral parts of SME, export and IHD projects programs.

### **3.3 The Industrial Sector in the European Context**

The European Commission has launched a new industrial policy aiming at establishing better conditions for the manufacturing industry in the next few years. The policy includes several new initiatives such as: free and fair competition, power production and environmental issues, intellectual property rights, regulatory reform, industrial innovations, free trade, etc. All these initiatives will have an impact on the

improvement of a big number of industrial sectors and a better business development climate, the success of which will certainly depend on the vitality and strength of businesses and the overall environment and government regulatory framework, which contribute to business development. The European Commission has developed a series of instruments to support industrial clusters.

**EC cluster policy objectives and characteristics:** (i) the policies are based on enhanced business cooperation and cooperation networks, (ii) the relation between companies and (regional) technological infrastructure; (iii) the role of public or quasi public organizations as mediators to encourage company networks and joint projects. (iv) the need for improving innovation capacities, knowledge management, etc. in companies, improving the learning process in companies and their environment, (v) encouragement of specialized knowledge and factors, and (vi) regional cooperation.

### **3.4 Current Issues in Specific Industry Branches**

**3.4.1 Metallurgic Industry :** One of the major issues is the stabilization and improvement of privatized metallurgic company project indicators through improved environment for the implementation of domestic and foreign capital investments and improved business environment. The following will help achieve the above:

- Continuous monitoring of investments at privatized or concession metallurgic enterprises. Updating installed technologies with modern available technologies that are recommended by EU in the context of environment protection.
- Support with electrical power supply sources
- Certification of metallurgic products from the perspective of community and environment protection and the improvement of environmental conditions in and around facilities.

Metallurgic industry, particularly steel industry, is a sensitive issue in the Albanian economy. The industry has been a very important part of the negotiations between Albania and the European Union in the framework of the Stabilization and Association Agreement. Under the Interim Free Trade Agreement with the European Union (Article 5, Protocol 1) Albania has to develop a program on restructuring its steel industry in order to enable the operation of that industry in normal market conditions. The European Union will support the Government of Albania in its efforts for developing and implementing the program with qualified expertise and consultancy. The Ministry of Economy, Trade and Energy has formally expressed its request for support, and will take all the necessary steps required in this context.

Another issue is the exploitation of industrial capacities in metallurgic enterprises in the context of SME development and the establishment of industrial zones, which would be in line with the SME development strategy.

**3.4.2 *Leather processing and footwear industry*** has developed significantly in various regions in Albania. Major activities in this industry include: preparation of shoe upper parts, shoe assembly, and leather processing. Shoe factories have modern and efficient technologies. This branch of the footwear industry is likely to develop more in the future.

In the past three years Albanian footwear exports doubled. Albanian leather and shoe exports have recently increased by 20-30% annually.

Almost 100 leather and shoe companies operating in Albania make 1.2 million pairs of shoes a month. Albania is the second biggest exporters of shoes to Italy, which is the biggest shoe exporter in the world. In addition, Albania is an ideal country for exporting to Italian, Balkan and European markets. Foreign investors in Albania are also increasing exports to non-European markets. With the signing of CEFTA and EU agreements, Albania provides unlimited exporting opportunities.

Albania is an attractive country for the production and exporting of:

- shoes to be exported to global markets;
- all types of shoe production and assembly for Balkan and European markets;
- leather processing for Albanian and European shoe manufacturers;
- Leather accessories for Balkan and European markets.

#### **3.4.2/1 Highly competitive operational costs**

Labor cost in the Albanian leather and shoe sector is one tenth of the costs in Italy and one fifth of the costs in Greece, at about USD 150-200 a month. Albania is the most competitive country in Europe regarding the production of leather and shoes. According to the following table, salaries in Albania vary from one third to half of salaries in Balkan and Eastern European countries. Other operating costs, too, are competitive in Albania, with costs in industrial areas at about USD 35 per square meter, which is lower than the industrial area cost in Eastern European or other Balkan countries. The cost of electrical power and water supply, too, is lower than in other countries.

***A great source of flexible and skilled labor.*** Albania has a young population of 3.2 million, and its official unemployment rate is 14.3%. There are over 20,000 employees in the leather and shoe sector and over 12,000 professional engineers and engineering students. Albania has a great human potential for the leather and shoe industry. The number of students in Albania has grown increasingly, thus providing a continuous supply of professional employees. Almost none of the leather and shoe factories in Albania has trade unions, and the Albanian labor force is characterized by its flexibility and quality. 50% of the labor force working in the major shoe factories in Albania have worked there for 5 years, which is a sign of labor force stability.

***High quality and on time production.*** Albania is close to the Italian, Greek and Balkan markets. Indeed, Albania has a favorable location compared to other

neighboring Balkan countries, as it has direct access to the Mediterranean Sea and is very close to the Greek and Italian markets.

Foreign investors in Albania can entirely change the European rules of delivering products faster than in any other country. As Cofra/Albaco says: “Delivery time is very important to clients. We have only five days to give an answer, and we can execute an order within 24 hours in Italy.”

The quality Albanian shoe and leather factories can provide is very high, and a lot of companies have the ISO 9001 certification. Companies are adopting advanced production technologies. Albania now has some of the most advanced technology shoe making factories in the world.

Investment opportunities in the Albanian leather processing sector are increasingly bigger. In addition, the JIT service and the raw materials can cope with a bigger number of shoe manufacturers.

#### ***Infrastructure and relevant opportunities***

Albania provides investors with numerous potential options and a number of regions that are specialized in the leather and shoe sector. Most of shoe and leather companies are in the capital city, initially focused on shoe assembly and manufacturing activities. The Port of Durres, too, provides access for manufacturers across the country. Leather processing companies are found across the country, particularly in Berat, Durres, Kavaje, Korce and Tirana.

#### ***The need for supply development and diversity***

Besides the advantages that Albania provides for investors in shoe and leather companies, there are some shortcomings with regard to the supply of products, which need addressing if Albania wants to compete and attract investment in the short-term and long-term period. In the short-term period it is important to identify the areas for investment, get the necessary information about them, and improve the electrical power supply in those areas. The recommendation for the long-term period is to develop designing and introduce local brands.

#### ***The sales and marketing strategy***

A marketing plan is necessary for the promotion of investment in the leather and shoe industry. The plan will be an example for the coordination of sector promotion, ensuring sustainable sales messages, coherent marketing activities and actions for achieving performance indicators.

**3.4.3 The clothing industry is currently developed in many regions in the country.** It mainly produces for export, and one of its typical features is the active processing regime importing, which is also one of the factors contributing to its development. Such development has ensured the remobilization of a big number of skilled workers. The goal is to increase the quality of clothing products and extend the clothing industry in order to increase its presence in the domestic market in addition to foreign markets by competing with imported products.

Investment in the textile sector has increased, given the numerous advantages Albania can provide based on its location, access to other Balkan countries and good skills its labor force can provide vis-à-vis its cost.

Albania has a favorable environment for the production and processing of textiles given its close distance from Italy and Greece and fast transportation to and from those countries. Albania is an excellent hub connecting Western Europe with the rest of the Balkans. With the signing of CEFTA, Albania has good access to other markets in the region, because of its location.

In Albania companies with highly skilled managers and labor forces operate in this sector, making a big number of textile and related products.

Investors also have the advantage of using low-cost labor, which is much more competitive than in Bulgaria or Romania. Foreign investors also have the opportunity of reaching deals with Albanian businesses to close the gap caused by production peak in short periods of time, while also benefiting from fiscal incentives related to material and machinery import taxes and ready-made product export tax incentives. In the future contracts will be determined by three major factors: price, quality of service and time of product delivery. One consequence of this situation is the substantial increase in Chinese and Indian products over the past few years. Southeast European suppliers, however, are still part of mixed purchases—products originating from various markets—due to their vicinity to European markets. In various countries, factories will consolidate further, resulting in a smaller number, and will continue to cut down on their production and labor costs, and in this context the trend will be to further shift to subcontracts—factories specializing in a smaller number of processes. Companies will increasingly face challenges in the context of the need for bigger investment in new technologies to ensure competitiveness.

Of course, there will always be some insecurities or risks. There is a lack of reliable information about the occurring changes and some insecurity related to the EU response, particularly in the area of quota or tariff setting on Chinese imports. It is not clear yet to what extent market vicinity will be an important factor, which products will be less sensitive to Chinese product competition, and how important will the domestic textile industry in the future.

It is still uncertain how capacities in the global market will grow and what will happen when the growth rate falls, while it is not clear what actual strategies buyers will adopt.

**3.4.4 Various industries** such as the mechanic, textile, wood processing, chemical, glass, ceramic, and plastic industries will need serious commitment and big private capital investment, particularly in the area of complying with EU standards and directives including environment protection requirements.

### **3.5 Main Industrial Development Strategy Goal**

***Develop a series of policies and projects to guide and encourage investment in high technology, growth of competitiveness, modernization, diversification and specialization in open markets.*** The evaluation and monitoring of its performance remains an important task for a more efficient and sustainable policy development and the provision of qualified assistance for the business community.

#### **Specific objectives:**

- Assess conditions and prices in the local and international markets; Carry out specific assessments and studies on markets, technologies and investment opportunities
- Determine sector policies for those industries in order to encourage investment, attraction of private capital and the transfer of new technologies; Develop research & development, innovation and technology transfer services. Develop promotional programs on foreign capital partnership.
- Harmonize investment programs with training, employment and university education programs; Develop specific training programs in the context of increasing the quality of human resources.
- Provide the necessary information about the use of raw materials and their development for industrial purposes; Develop the information service
- Develop the sectors of energy, ICTs and overall infrastructure
- Propose incentives to encourage the development of industrial sectors; (Guarantee Fund, development fund for advanced technologies, etc.)
- Establish, develop and extend industrial enterprises through the establishment of industrial parks;
- Implement the Law on Concessions in order to increase assets technologically.
- Develop programs for the internationalization of manufacturing enterprises.
- Encourage industrial development initiatives in the context of local economic development.

#### **3.5.1 Strategic Options.**

The private sector is likely to increase the specific weight of the non-food industry through the selection of several possible scenarios.

##### **Option 1:**

The policy focuses on active regime processing companies. In this context, METE and Albinvest plan to build a program aiming at the gradual and careful growth of production operations in those companies in order to transform them into autonomous enterprises with a full production cycle. This will require a coordinated financial support intervention that enables the completion of technology and a series of quality services in the area of international marketing in order to access certain regional and

European markets. One advantage of this option is that the enterprises should have a manufacturing managerial culture.

**Option 2:**

Industries to be included in the focus could be those build on the basis of European-Chinese trade development. Albania is in an advantaged location, very near European markets, and can be a country for final assembly of products from the Far East. According to preliminary studies, the saved cost from the difference between the transport cost for semi-finished and finished products from the Far East to Europe justifies this project as feasible in the future.

**Option 3:**

One alternative option is mass production of consumption products. Combined with low-cost inputs, this type of production can achieve competitiveness strategies at low prices in European markets. If joint companies with foreign capital are established in this type of industries, Albania can specialize in this area.

**Option 4:**

Provide support for those factories that make products with distinctive ethnic features. The industries of handicraft, ceramic and wood can be oriented toward the development the new products for which European consumers are sensitive.

**Option 5:**

Support those enterprises that have business chances of integrating into the value chain of foreign capital factories. To achieve this it is important to develop projects for the growth of specific skills in line with foreign company interests. Sophisticated industries—such as motor and electronic industries—usually subcontract the production of some elements of their products to a series of small and medium-sized companies.

This option seems very difficult in the conditions of Albania, because it lacks specialized capacities. However, it is still possible if it is programmed as a long-term project including support for companies that can produce for the needs of bigger domestic and international companies.

## **IV. DEVELOPMENT OF THE MINING INDUSTRY**

### **4. 1. Reform in the Mining Industry in the Past and Current Situation**

The reform in the mining industry in the past has aimed at:

- Completing the privatization process; (1993-ongoing)
- Restructuring and commercializing state-owned companies in the chromium and copper sectors; (1994-1998)
- Establishing the legal and administrative basis based on the market economy principles; (1994)
- Liberalizing and licensing the exploitation of mining resources; (1994)
- Concessioning mining industry assets; (1995)
- Excluding mines as a priority from economic sectors; (1998)
- Shutting down ineffective mines and conserving potential mines; (1993-ongoing)

**Currently** about 470 private companies operate in the mining industry; There are about 17 state-owned companies, including the Albanian Geological Service and the National Agency of Natural Resources, which are budget entities, while Sh.a. Albkrom and Sh.a. Albbaker have the status of closing-conservation companies, and other state-owned companies are winding up.

In 2004-2005, private entities exploiting useful minerals exported about USD 100 million worth in goods, while in the first half of 2006 exports reached the amount of EUR 15,935.03. Total investment in the private mining industry is over USD 20.78 million only in 2004, while in 2005 the investment fell to USD 11.49 million. **The number of employees** in the mining industry is about 6,000.

The current need for further reform in the mining industry derives from a series of identified elements, which are listed below:

**- Approximation of the Albanian mining legal framework with EU standards and directives.** Given the main priorities in the Albanian economy and the Government program, the development of the mining industry in Albania and the development of tourism should be based on a balance that is dictated by the measures for the rehabilitation of the environment following mining activities. These restrictive measures will increase exploitation costs and might lead to decreased investors' interest in the Albanian mining sector. The only way to encourage investment would be to ease the current fiscal package. This principle is one of the main EU standards: "Strict rules on environment protection and rehabilitation (and compensation), and fiscal incentives for mining resource managers". This is indispensable given that mining managers also face the burden of treating employees in line with EU standards, including requirements on work safety, social welfare, pensions, etc. In a few words, promoting the development of the mining industry in the country, in the conditions of environment rehabilitation and community protection, will mean easing fiscal liabilities leading to attractive profits for managers and acceptable revenues for the government.

**- Increasingly bigger demand for raw mineral materials.** In Albania the domestic and external market demand is supplied on the basis of studying the effective potential of Albanian minerals and the possibilities of opening to the regional and

European markets. Such initiatives should be preceded by medium-term and long-term programming of geological research for traditional minerals in order to establish the **map of mineral areas**.

- **Study on the domestic market demand** particularly for construction materials (bricks, tiles, cement, lime, etc.) and compare it with the domestic potential is important for the development of mines.

- **Unstable and falling prices.** One of the important objectives for coping with the periodical fluctuation of prices in the international market is to increase the degree of mineral processing in the country and in cooperation with the region.

- **Increased production costs** should be responded to with increased production and processing capacities, application of advanced technologies (mechanization, automation, remote control, introduction of vehicles with wheels, etc.) due to small extraction and processing capacities.

- **Increasing competition.** An international free competition market for mining industry products, fighting the monopoly trend in this area . Efforts should be made for avoiding the trend of blocking useful mineral resources beyond the time prescribed in the Mining Law, without the research & exploration and/or exploitation activities.

- **Land ownership right issues.** Attempts for getting mining exploration and exploitation permits have encountered issues related to the land ownership rights involving land owners, local communities, conservationist groups aiming at preserving natural heritage, etc.

- **Another activity is the continuous enhancement and completion of the legal and fiscal framework**, which is a dynamic process in the context of European integration, aiming at responding to contemporary demands and specific medium-term and long-term national mining objectives.

- **Ensuring normal parameters as per the Law on Environment Protection and Rehabilitation.** This challenge will be addressed through the development and adoption of the relevant regulations, including specific regulations on the mining industry. Additional efforts will include mining activity supervision and monitoring.

- **Enhancement of the efforts for assessing, evaluating, projecting, monitoring, consulting, professionally and technically managing and supervising mining activities.**

- **Avoiding mining risks, and safe use of land.** In this area efforts include the adoption of the legal framework on monitoring closed mines and mines that are under rehabilitation, which ensures the reduction of mining risks and reclamation of industrial areas for economically effective construction.

- **Preparation of human resources** that are capable of managing the mining industry. The focus should be on the preparation of future engineers, economists and managers that can perform technical and economic analysis, environmental impact assessment, etc.

- **Environment conservation, protection and rehabilitation.** The mining legislation, regulations, supervision and monitoring and the observance of concessionary contracts should be the commanding factors of the mining-tourism binomial in the future.

- **Technical safety and treatment of workers.** Human resources are the most important part of the mining activity, and they should be protected and receive proper treatment in line with contemporary standards in order to prevent work accidents. In addition, work safety training, living and working conditions and economic treatment of the human resources will be critical to the success of mining activities.

## **4.2. Mining Sector Goals**

The overall goal of the Albanian mining industry is to prepare policies for developing and integrating mining activities in the national economy, assessing the national mining potential, introducing new entities in traditional minerals and new ones, and promoting mining activities. It should be integrated in the national development strategies in order to address its institutional, administrative and technical challenges, provide guiding and programmed measures for sustainable long-term development, and to ensure successful promotion of development and employment in the country.

*The Government has the clear role of the rightful owner of mining resources to developing them, increasing the range of minerals under exploitation, on one hand, and ensuring full and rational exploitation, on the other hand, because they are not renewable resources.*

### **Mining strategy objectives:**

#### **Objective 1**

Approximate legislation in response to EU integration and mining activity development

#### **Objective 2**

Ensure institutional strengthening and human resources professional growth in response to increasing demand by the restructured mining industry in the context of sustainable development.

#### **Objective 3**

Formulate and implement general policies for the promotion and rational use of natural resources and increasing mining reserves.

#### **Objective 4**

Implement effective control and supervision of mining activities at extraction and processing entities.

#### **Objective 5**

Continuously monitor post mining activities. Ensure that mining activities respect the environment and the communities. *See Annex IV.*

## V. EXPORT PROMOTION

### 5.1 Overview

#### 5.1.1. *Exports Performance*

Exports are considered as a priority of the Government program in the framework of economic development and trade liberalization and integration of Albania into international markets.

Over the past 15 years the Albanian economy has gone through radical changes to its functions, structure and development. The progress of the economy has been characterized by significant fluctuations in its stability, restructuring, growth, etc. and transformations. This has been true to the export activities, too, making the national economy and market rely mainly on imports.

The Interim Agreement, which became effective on 1 December 2006, is expected to have a significant impact on the domestic economic structure. This will bring about gradual opening of custom tariffs for imports from European Union member states, which are expected to become zero by the end of 2010. The impacts are expected to be numerous because 60% of Albanian imports and 80% of Albanian exports are with EU member states. The Interim Agreement with the EU is asymmetric in the area of exports, which means that export tariffs will decrease faster than import ones. This is a good opportunity to be taken. Even before the Interim Agreement Albania enjoyed concessionary quotas for some products to be exported duty free to EU, even though it never managed to use them fully. Issues go beyond custom barriers; they are closely related to the internal structure of the Albanian economy and lack of development strategies.

**In 2006**, foreign trade was mainly characterized by a rise in the export growth rate. As a result, the import growth rate was smaller than the export one, even if compared with 2005. In 2006, exports were USD 788 million, which was a 19.6% rise compared with 2005, while imports were USD 3,057 million, with a growth rate of 16.6%. The trade deficit in 2006 was USD 2,270 million, 17.2% more than in 2005. As a result import cover by exports rise from 25.1% in 2005 to 25.8% in 2006. (See Table 1, Annex V)

*The 2006 export structure results to the level of 29.9 % from the domestic production, and 70.1 % from the production ordered by third parts (Active processing regime import).*

The Ministry of Economy, Trade and Energy assesses that *exports from domestic production consists of*: cast iron and steel products, copper, aluminum and lead scrap (37 %), medicinal plants (2.1 %), beverages (0.8%), tobacco (0.5%), minerals (chromium), bitumen, coal, salts, construction materials (17.5%), leather and leather items (1.74%), wood and wood products (4%), etc. (See Table 2, Annex. V)

*Active processing regime import* was 70,1% of the total amount and consisted of textiles and clothing (28.7%), footwear (25.8%), canned fish (2,7%), etc. The entire active processing import is done with European partners, with EU member states as main destination.

There is a rise in the main area of active processing exports (textile-clothing) compared with 2005. **This sector remains very sensitive** to many reasons, including the following: unreliable electrical power supply and the competition at this sector that comes from China and India.

(See Table 3, Annex. V)

*According to two categories: agricultural (food) and industrial (non-food) exports* consist of:- Agricultural products of food-industry 7.9% or USD 62.8 million with a rise of 16.2% compared to 2005 which are considered a very potential domestic production to be exported.

Industrial (non-food) products (92.1%) or USD 725.3 million with a rise of 19% compared with 2005, 60% of which is dominated by active processing and the rest consists of: Metals and related products cast iron and steel products, copper and computer equipment (19%) mainly as local production and a part as assembled finished products,

- Mineral products (5.5%, domestic production, chromites, bitumen, coal, etc.) this item increased by 40% - Leather and related products (1.7%, domestic production), which increased by 14%,

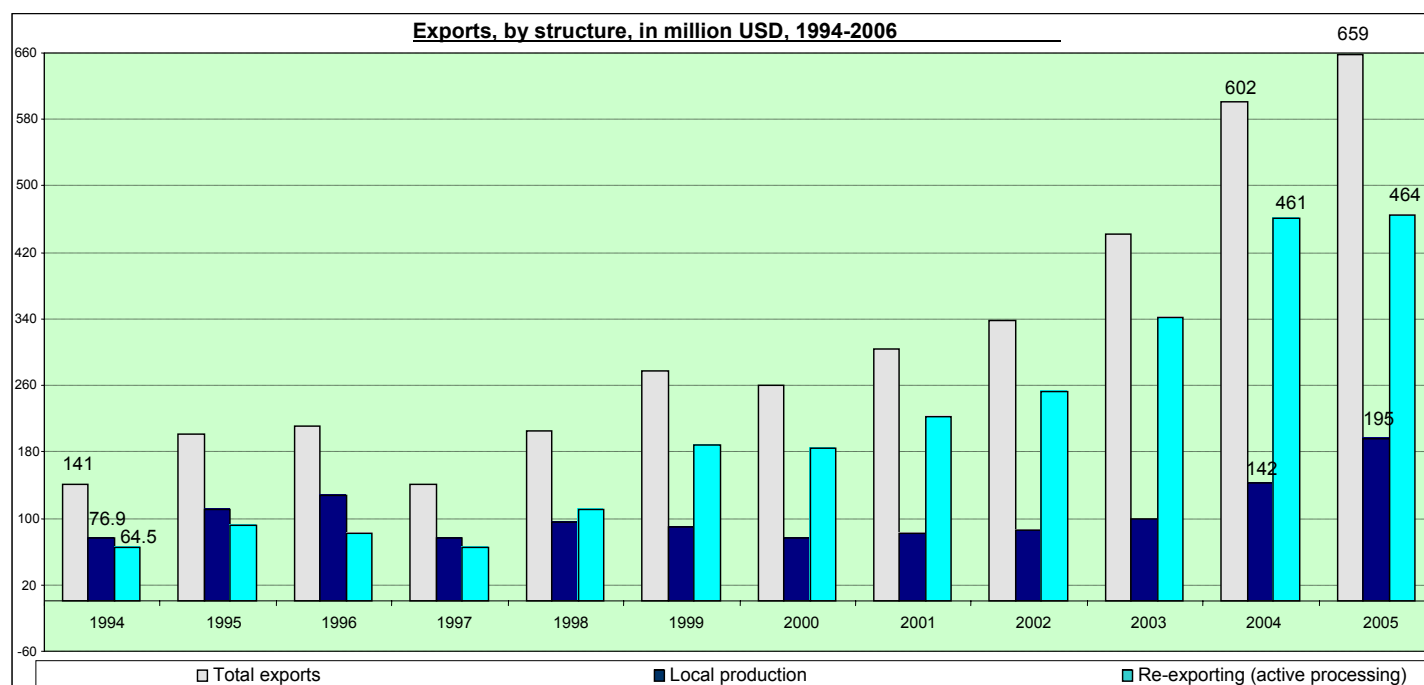
- Wood and related products (1.4%, domestic production), which increased by 5%, etc. (See Table 4, Annex. V)

*By destination, exports* mainly go to EU member states 88%, (mostly to Italy, Greece and Germany), based on active processing imports. -. The exports towards the regional countries are always getting an important weight, where for 2006 it contains 8.1 % of the export total mainly to Kosovo, Serbia-Monte negro, Macedonia, etc. A growing of the export weight to Russia, China, etc, was noted during 2006, for the most part to Chrome mineral product.

Most of exported products to EU25 are from the clothing/footwear industry, which was 61.7% of total exports to EU-25 with a decrease of 5% compared with 2005.

Albania still relies on “imported” exports of textiles and shoes, which are about 54.8% of total exports, and, what is worse, about 70% of active processing regime products go to Italy.

Food and beverages exports, which are considered as the exports with the greatest potential for Albania, are only 4.3% of total exports, with a weight increase of only 10% compared with 2005.



Source: METE 2006

### 5.1.2 Overall Characteristics of Exports before 2006

Compared with 1994 exports have increased by about 5 times. The annual growth rate has been satisfactory, at 15-17%, based on USD indicators. 70% of exports have been in the form of active processing regime imports. The categories of locally produced exports have been stable, with a low processing degree and added value. Domestic products include: medicinal plants, chromites, nickel, copper, aluminum scrap, cast iron and steel, cement, oil bitumen, wood products, leather products, animal products, etc. 90% of exports go to EU member states. Recently, exports to countries in the region with which Albania has signed FTAs have increased. Compared with GDP, exports have varied in the range 7-8%. (See Table 1, Annex V). Export production activities have employed more than 30% of the active labor force.

### 5.1.3 Main Issues Exporting Manufacturers Face

While the Albanian private enterprise sector has gone through a development experience, most of the operators are still unable to cope with the increasing

competition challenges at local and regional level, because of inadequate production capacities, low product and service quality, insufficient marketing efforts, and lack of managerial capacities and skills to position their products in the national or regional markets.

Below is a summary of some of the problems:

### ***General problems***

Over the past five years the following problems have been identified as obstacles and need energetic interventions to address them:

- i) Factors related to the progress of structural reforms and business climate (such as the issue of unclear ownership rights, fragmentation of agriculture land, administrative barriers and administration subjectivism, low quality of public services, crediting problems, etc.)
- ii) Factors related to the isolationist heritage, outdated technology, poor infrastructure, etc.;
- iii) Factors related to the inadequate entrepreneurship and management culture.

### ***Specific problems in exporting goods***

- i) factors related to the competitiveness of the Albanian economy, companies and products;
- ii) factors related to the establishment and consolidation of bodies for product and service quality certification and standards;
- iii) factors related to the marketing of products for export, etc.

All the above-mentioned factors and the situation of foreign trade raise the issue of deep multi-faceted changes in the production, in general, and exports, in particular, to design development policies and better coordinate responsible institutions.

#### ***5.1.4 Potential Export Products***

A survey of 2006 exports under the Project “Support for Trade Regulation and Promotion” (EU Cards Project No 2004 / 084-899) aimed at clearly identifying export potential, actual and target markets, and services for exporting companies, which will help them implement specific marketing plans successfully. In cooperation with the Project, Albinvest aims at supporting exporters by providing companies with a package of useful services and programs. Several industrial sectors, such as leather and shoes, textiles, agro-business, tourism and consumption products, have a considerable potential for developing competitive advantages of Albanian products in international markets.

***Agricultural and agro-processing products*** have a significant potential of increasing export volumes, particularly the support for increased organic produce. This includes fresh and processed produce of a specific taste that is preferred by both local and foreign consumers.

*Albanian minerals* have an exporting potential, which will ensure the trade deficit reduction and the sustainable development of the sector. In addition, *construction materials* have an exporting potential, including cement, lime, decorative stones, etc. The fact that such materials have not been exploited so far is related to numerous factors including the lack of new extraction and processing investments and technologies, lack of knowledge of and access to foreign markets, and incomplete and unclear privatization and exploitation legal framework.

*Water resources*, too, are a considerable potential Albania has, particularly in the context of the increasingly bigger demand and needs of other countries for this product. Our country has considerable potable water resources, for the exploitation of which investments have been implemented; however, the use of such resources is still far from their feasible exploitation.

Other sources of a significant impact on the Albanian foreign trade indicators is the *active processing regime imports* in several specific sectors, such as footwear, clothing, furniture, fisheries, anchovies, IT equipment assembly. Regardless the strong competition in global markets in these sectors, Albania still has chances of maintaining its competitive edge based on the following factors: Location near big markets (EU), low labor costs, gained experience, and young and entrepreneur population.

## **5.2 Export Promotion Policies and Strategic Actions**

- Market competition is fierce, and it is particularly so for our export products. In this context the orientation of Albanian exporters toward specialization of products and services is of primary importance. The promotion of *“Made in Albania”* products is the strategic goal of export promotion.

- As a result of lifting custom tariffs, there will be an impact on local companies and imports will overwhelm exports. As a result, competition from EU countries is expected to increase the pressure for investment in technology and for aggressive strategies to be adopted by local businesses, which in the long run will lead to increased competitiveness of Albanian industries.

- Improved overall business climate, reduced tax burden and infrastructure improvements are important factors to the support for those advantages, and, in combination with increased management and human resource quality for a more effective performance of exporting businesses, this will lead to positive results. A sound knowledge of the situation (the new export survey is very useful in this context) and current indicators are monitoring and benchmarking tools to measure the effectiveness of specific policy actions and measures in the future.

- Trade with other countries in the region is limited. The overall exports to countries in the region have been characterized by a small number of countries, mainly with

Southeast European countries, increasing the level of bilateral trade in 2005; however, the need for new markets is imperative to be explored by Albanian exports.

- The results of the survey that was carried out under the CARDS Project “Support for Trade Regulation and Promotion” / EU Cards Project No 2004 / 084-899, dictate the need for a package of services to support exporting companies. So, according to the survey, the four services exporting companies want mostly are: (i) Market information, requested by 48% of the interviewed companies; (ii) Participation in sponsored trade events (fairs and exhibitions), requested by 45% of the interviewed companies; (iii) Cost sharing grant schemes, requested by 41% of the interviewed companies; and (iv) Sales mission abroad, requested by 41% of the interviewed companies. The survey results guide the necessary policies in the area of marketing export products.

- In order to cope with the new trend of lifting trade barriers and the global competition, the export promotion policy aims at perceiving the process of company internationalization in an objective way and preparing for the challenges of an economy that is open to global competition.

When the stress is on the exports, it should be noted that this activity is an integral part of the overall internationalization process.

- The internationalization of companies is one of the most difficult choices, because it implies a series of risks to those companies, which will have to operate in an open economy where competition forces and factors are different from those of a national market.

*The purpose of the export promotion strategic program is to increase the productivity of Albanian companies based on their competitive advantages and make the Albanian economy competitive in the region and comparable to EU member states and beyond.*

In order to achieve this, in addition to many general objectives, the Albanian economy should achieve the following specific objectives, which are closely related to the export sector:

1. Increase export indicators through the increase in the production capacities of the current exporting sectors and the range of sectors and new products to be exports, particularly new minerals, agricultural products, etc.
2. Triple investment in exporting sectors by 2009 based on liberal and facilitating policies, the “Albania—One Euro” initiative and the real potential of the country.
3. Provide incentives for exporting manufacturers, particularly to promote the shift of active processing import activities to those areas where there is high unemployment and limited development.
4. Ensure that exports in 2008 reach the amount of EUR 770 million, which is over 45% more than in 2005, and that exports in 2013 reach the amount of EUR 1,500 million, which is 185% (2.8 times) more than in 2005.

5. Maintain a growth rate of 13-15% during the first years until 2009; the growth rate is projected to be 15% as a result of public and private investment by 2009.
6. Maintain the export growth rate over 13-15% during the first years, and achieve the export share of GDP at 14% by 2013.
7. Improve the trade balance by increasing exports and substituting imports with Albanian products so that the export/import ration is 1 to 2 in 2013.
8. Ensure that 40% of employment in 2013 is in the export sector.
9. Increase competition and management skills, and ensure sustainable development of exporting companies in the international market.
10. Maintain and increase local production exports vis-à-vis exports based on active processing imports so that in 2013 their ratio is 60% to 30%.

The following table illustrates some of the indicators and their relation to other macroeconomic indicators. Exports are presented in close relation to imports, trade balance and gross domestic product. The gross domestic product growth in the first few years until 2010 is expected to be maintained at the nominal growth rate of 9.4%, while after 2010 it is estimated to fall to a nominal rate of 5 %.

### **Projections of exports and foreign trade indicators, 2007-2013**

In million €

Description	Million €	2005 Actual	2006 Actual	2007	2008	2009	2010	2011	2012	2013
a. Exported goods from domestic production	Million €	158	187 (18)	220 (18)	260 (18)	310 (19)	375 (21)	455 (21)	600 (32)	800 (33)
b. Exported goods from active processing imports	Million €	370	442 (19)	500 (13)	550 (10)	600 (9)	645 (8)	684 (6)	700 (2)	709 (1)
1. Total exports of goods (X)	Million €	528	629	720	810	910	1020	1139	1300	1509
2. Imported goods (M)	Million €	2108	2415 (11)	2645 (12)	3015 (14)	3166 (5)	3261 (3)	3294 (1)	3294 (0)	3228 (-2)
3. Trade balance (X-M)	Million €	-1580	-1797	-1925	-2205	-2256	-2241	-2155	-1994	-1720
4. Gross Domestic Product (GDP)	Million €	6619	7310	7994	8755	9577	10525	11051	11604	12180
5. Ration X/GDP	%	8.0	8.6	9.0	9.3	9.5	9.7	10.3	11.2	12.5

Source: METE 2007

**Note:** 1) Figures in brackets show the change in percentage compared with the previous period.

2) The EUR/ALL exchange rate was EUR 1 = ALL 122.8

#### ***5.2.1 Actions for Achieving Export Objectives***

The achievement of export objectives will need the undertaking of a series of general and specific measures, which are listed below.

### **Legislative measures:**

1. Harmonization of the legislation related to export production, financing and movement of goods, based on the EU, OECD and WTO directives and legislation, which prescribe specific rules and norms on goods export and transport.
2. Harmonization of the legislation on the manufacture, service and sale of all locally produced goods in line with EU, FAO, etc., such as: Agricultural products, use of pesticides, animal treatment, non-food products, household products, hazardous products, mineral exploitation, natural resources, environment protection, etc.
3. Development and implementation of the legal basis enabling the building of institutions to serve and inspect businesses and products (financial, inspection, certification, etc.)

### **Institutional measures:**

1. Establishment of the Albanian Competitiveness Fund, which will support exporting manufacturers with a value of Leks 25 million.
2. Establishment of a public Albanian Export Credit Guarantee Fund ( 500 milion Lek ).
3. Support for Albinvest so that it can play an important role in the establishment of high quality consultancy, training and information services in order to increase chances of exporting.
4. Development of high quality consultancy and training services in order to increase managerial and technical capacities of growing and internationalizing companies.
5. Establishment of partnership schemes between local companies and international ones.
6. Development of promotional products and business contacts, and introduction of ICTs and e-business model.
7. Consolidation and building of public and private institutions that are involved in the evaluation and certification of product and service quality including raw materials, production conditions, manipulation and storing and consumption conditions. Such institutions include: Metrology and calibration, standards, conformity, accreditation, laboratory and microbiological tests, codification, etc. All these institutions, which are part of the quality infrastructure, are considered as indispensable not only for exports but for the domestic market, too.
8. Establishment and consolidation of institutions and inspectorates that enable the registration and certification of manufacturing entities and various businesses in Albania. These institutions will be involved in: Registration of livestock, orchards, land and its composition, registration and certification of animal farms, ordinary farms, food processing entities, entities the manufacture canned fruit, fish and meat, mining entities, industrial manufactures, and assessment of environment requirement observance. These institutions and the information they will collect will facilitate access to EU markets for these products.

### **Organizational, informational and infrastructural measures.**

1. Organization of seminars and programs for the establishment of an effective marketing system and product quality management, ensuring that product comply with standards and norms that international markets require, the establishment of databases and information exchange with foreign markets, promotion of establishment of consultancy firms and agencies that provide assistance for businesses in the areas of organization, management, marketing, etc. In addition to METE role, there are also more specialized institutions in this area, such as Albinvest, regional business development agencies, agriculture and food development departments, private business consultancy firms, various assistance projects, etc.
2. Establishment of collection centers, which will manipulate, process, standardize, package and distribute agriculture products in the retail domestic market and foreign markets.
3. Construction of slaughter facilities and treatment of animal and bird meat across the country, mainly in the rural areas. Measures 2 and 3 are considered as catalyst centers for the agro-industrial production, and they are planned to be implemented by 2008. The centers will have an impact on increasing farmers' products' market value. Such centers encourage production increase and specialization. On the other hand, real opportunities will be established for the farmers to associate into groups based on the varieties and products they are involved in, and for the establishment of various production associations. This type of organization increases chances for farmers to receive crediting and financing, information about production technologies and better varieties, training about marketing and distribution networks, etc.
4. Establishment of an export center that will treat export products near the Port of Durres. The center will process products and provide a series of additional services such as standardization, packaging, etc., giving products added value vis-à-vis international standards. This will be achieved by 2010.

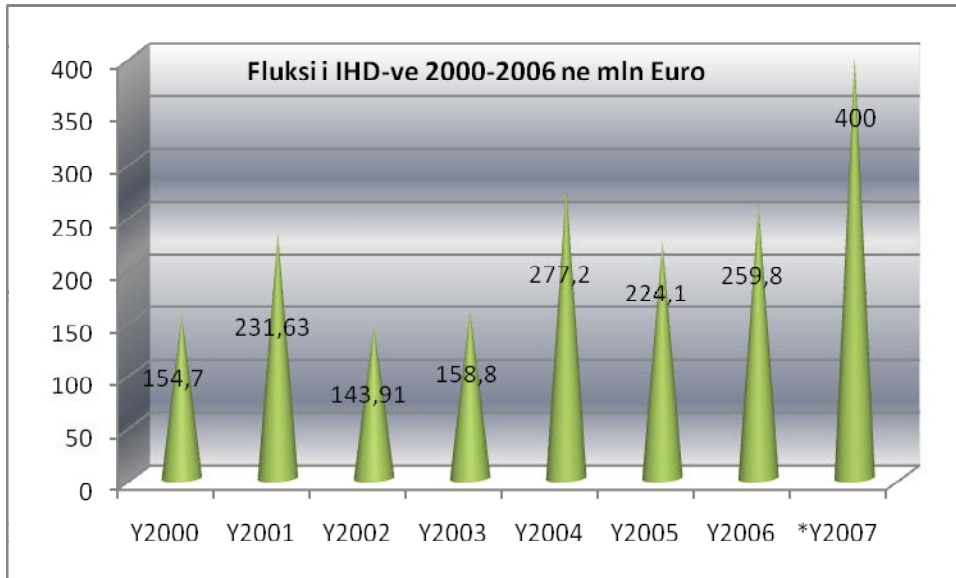
(See: Table 6, Annex V)

## **VI. FOREIGN DIRECT INVESTMENT (FDI)**

### **6.1 Overview**

#### ***6.1.1 Foreign Direct Investment in Albania***

Although foreign investment flows in Albania have increased steadily, they are still at very low levels compared with the Region. One reason for this is the negative heritage of damaged business climate because of significant administrative barriers, rampant corruption, regulatory weaknesses and the perceived economic and political country risk.



*Source: Bank of Albania*

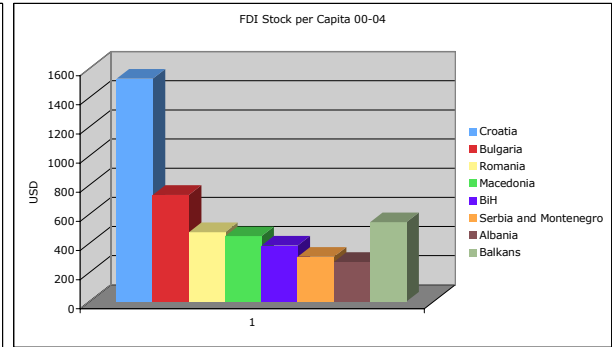
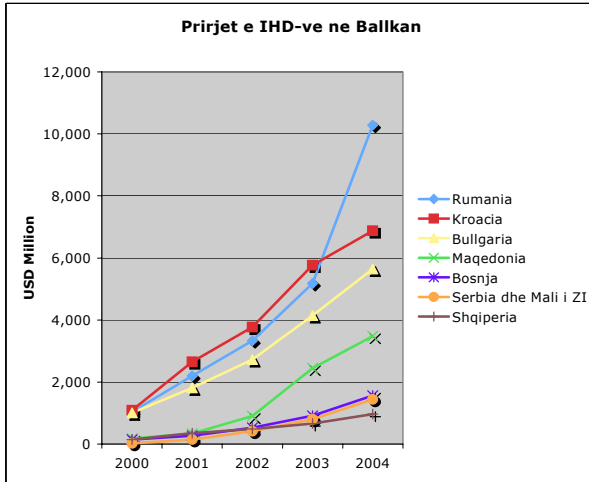
As the Graph above shows, foreign direct investment has increased significantly over the past few years. In 2004, FDI reached the amount of USD 341 million, also because of the privatization of the Savings Bank. In 2005, foreign direct investment fell to the amount of USD 255 million, also due to lack of privatization projects.

Foreign direct investment flows by the end of 2006 increased 14 % compared with 2005 amounting to 260 ml Euro. Due to a total lack of privatizations, as a result of greenfield investments or concessions projects.

For the year 2007, thanks to the Government reforms for a continual improvement of business climate, the private process of some governmental enterprises will recommence, and also the implementation of the initiative "Albania 1 Euro", is estimated that IHD afflux will exceed the amount of 400 ml Euro.

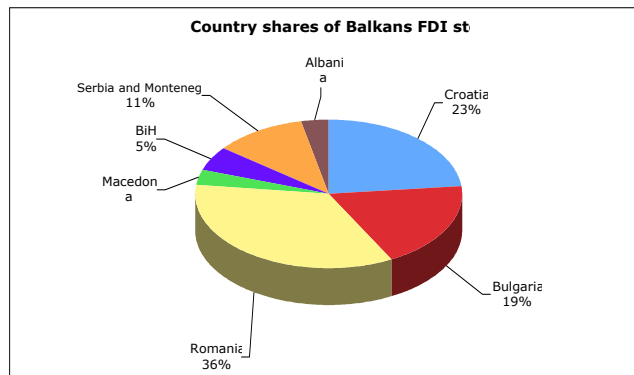
Foreign direct investment flows in Albania are smaller compared with other countries in the region, which, with the exception of Bulgaria and Romania, do not have notable FDI flows. As Figure 1 shows, Albania did not compare favorably with other Balkan countries in the past. Albania is the least receiver of FDI compared with other countries based on its market share.

*Figure 1: FDI performance in Southeast Europe*



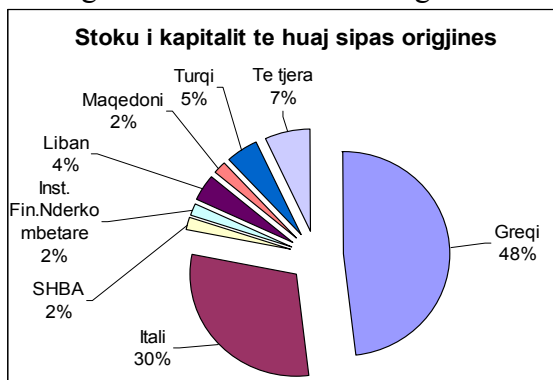
Source: UNCTAD WIR 2005

Source: UNCTAD WIR 2005



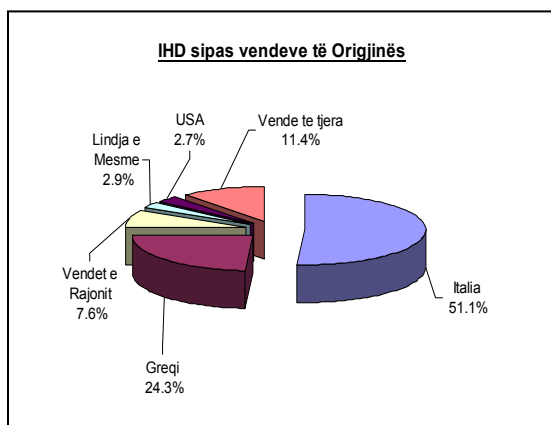
Source: UNCTAD WIR 2005

Origin-wise, Italy and Greece dominate foreign direct investment in Albania. 51 percent of direct investment companies have Italian stock, and 24 percent have Greek capital stock. Then comes the Turkish capital (4 percent) and US capital (3 percent). At the same time there is an opening to the Middle East and there are capital flows coming from countries in that region.



From the perspective of foreign capital stock, at the end of 2004 82 percent of the stock belonged to EU member states, with major investors from Greece (48 percent of foreign capital stock at the end of 2004) and Italy (30 percent). Greece and Italy have increased their share of foreign capital stock significantly. The close location of Albania to both countries and a

stronger cooperation with the EU are among the main reasons for the predominance of foreign investors from those countries.



Source: Bank of Albania

The growth of foreign capital stock in the past did not have equal contribution from Greek capital. At the end of 2004 the Greek capital was estimated at ALL 18 billion from ALL 7 billion at the end of 2001. The Greek capital is mainly concentrated in the communications sector (68 percent), which was the result of the privatization process in 2000-2001 and wholesale trade (13 percent).

Over the past year Greek capital increased its share in the clothing industry. During the surveyed period (2001-2004), the Italian capital maintained its share of 60-65 percent with investment projects in the processing industry. At the end of 2004, the Italian capital stock was estimated at about ALL 11.3 billion from ALL 3.8 billion in 2001 (source: Bank of Albania).

Regarding the FDI geographical distribution in Albania, there is a concentration in Tirana (52%) and in the western region of the country. The sector distribution of foreign direct investment in Albania shows a high concentration degree in the processing industry and trade.

### 6.1.2 Issues the Sector Faces

The areas with the highest FDI concentration are high-income areas with more developed infrastructure. The central and northern regions are the least favorite areas for foreign investors. In addition to the undeveloped infrastructure in those areas and lack of marketing, one important reason for this is internal and external migration, which makes it difficult to find qualified labor force. There is, however, a considerable FDI share in district bordering with Greece, such as Korça and Gjirokastra. Investment in industry has focused on sectors with a high concentration of the labor force and not in those with concentration of capital or technology, thus leaving little room for foreign investment in the area of technology transfer and increased technological capacity of local production, and minimizing side positive effects of FDI in other production sectors.

#### *Reasons for low FDI in Albania:*

- The issue of the image of the country is an area in which efforts will be made in the future for ensuring a rapid change of the image of Albania in other countries.
- Issues and conflicts related to land ownership, red tape in the area of ownership right registration procedures, the approval and granting of construction permits, which have always been barriers for foreign investment.
- The informal economy is another area to be improved in the future in order to ensure fair competition in the market.

- The slow privatization of medium-sized and big enterprises in industrial sectors with high capital concentration and strategic sectors such as energy and telecommunications.
- The perception of the political and economic risk of the country.
- Poor functioning of public institutions, corruption, trafficking and poor law implementation.
- Lack of effectiveness and high cost of infrastructure (transport, energy, water) and lack of industrial parks for export and tourism-oriented FDI. Although there is a law that allows the establishment of free zones and industrial parks, no such free zones or industrial parks have been established so far in Albania.
- Inadequate financial, banking and non-banking services (low crediting, low financial service quality for international trade, high interest rates, substantial collateral requirements, insurance company services, etc)

### **SWOT Analysis**

<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• European Integration</li> <li>• Regional economic integration (CEFTA)</li> <li>• Substantial diaspora</li> <li>• Education reform</li> <li>• Infrastructure reconstruction</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Geographic vicinity with most of European regions and markets in Europe.</li> <li>• Qualified labor force at a relatively low cost</li> <li>• Working culture</li> <li>• Mining resources</li> <li>• Natural and tourist attractions</li> <li>• An acceptable legal environment for investment</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Small domestic markets</li> <li>• Low income per capita</li> <li>• Poor infrastructure</li> <li>• Outdated industrial technology</li> <li>• Poor financial sector</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Competition from neighboring countries</li> <li>• Salary increases and loss of low cost labor competitive edge</li> </ul>

### ***6.1.3 Investment Opportunities in Specific Sectors***

#### ***6.1.3.a Leather, footwear and clothing industry***

The leather and shoe sector is one of the most important sectors from both the economic and social perspectives, because it contributes with 10% of the industrial production and about 14% of the employment. The sector has increased significantly export-wise, too. Its exports increased by 9% annually in 1999-2002, and 32% in 2003 and 23% in 2004. The sector contributes with 30% of Albanian overall exports. According to a study carried out by Acit in November 2004 investors have concentrated in the sub-sectors of shoe production (23%), preparation of shoe upper parts (32%), and leather processing (25%). In addition, Albania has a developing clothing industry, which has attracted foreign investment, mainly from Italy, Greece and Germany. Currently there are about 50 foreign companies and 17 Albanian ones operating in the sector and employing about 10,000 people.

The opportunities of further investment in the sector are mainly based on the following competitive factors Albania has:

- An open market due to the signing of the Central European Free Trade Agreement
- low labor cost (USD 150-200 a month, on average)
- availability of qualified labor force because of the experience that has been gained in this sector,
- logistics; the possibility to work ‘*just in time*’ and with high quality because of its strategic location close to major markets such as Italy and Greece and standards applied by Albanian companies

Promotional activities should focus on major markets for this sector, including Italy, Greece and Germany. Interesting investment opportunities include the establishment of new companies and relationships with local subcontractors.

#### **6.1.3.b      *Business services***

In the context of improving their efficiency and productivity, multinational companies benefit great advantages in consolidating such activities as services in a certain country and standardizing them across the world. This is providing new foreign direct investment opportunities in developing countries, which have the advantage of lower costs compared with developed countries. The favorite method of consolidation is by outsourcing activities/services.

In this respect Albania offers great opportunities of attracting four types of export-oriented foreign investment: Customer support centers, data processing joint service centers, IT services and business regional headquarters. Studies have shown that in the short run the best opportunities of attracting investment are in the former two sectors (customer support centers and data processing). This is also based on several competitive advantages, such as qualified labor force with knowledge of foreign languages and with average costs that are one fifth of costs in other European countries; Adequate office premises, developing telecommunications network, etc.

#### **6.1.3.c      *Agriculture and agro-business***

Albania has considerable opportunities of developing its agriculture due to its favorable climate and inexpensive labor force in rural areas. Due to still traditional methods of fruit, vegetable and animal growing, with little artificial feed additives, pesticides and chemicals, Albania is known as a world-class producer and exporter of organic products to bigger regions, and European and North-American markets.

The average farm size is approximately 1 ha, varying from 1.3 ha in lower and hilly lands to 0.8 ha in mountains. The fragmented land is an obvious obstacle to efficient production methods and economic measures. However, the Albanian agricultural potential is considerable; Mild Mediterranean climate (mild winters and dry summers) and abundant rainfalls (1,400 in coastal areas, 1,800 and 3,000 hilly and

mountainous areas) are particularly favorable for growing early and late fruits, olives and medicinal plants and making wine.

Agro-industry, too, is an important part of the Albanian economy. Agriculture and agro-industry contributes 25% of GDP and 60% of the employment. Agro-industry is a steadily growing sector, the overall production of which, however, does not meet the consumption demand.

Investment opportunities exist in several sub-sectors of this industry, where the most interesting segments are those that have exporting potential such as medicinal plants, vegetables, canned products such as olives or olive oil, fresh and processed fish, etc. With the goal of encouraging the development of vineyards, orchards and olive groves, the Government has approved the establishment of a fund of ALL 400 billion to support farmers.

#### **6.1.3.d Mining**

Albania has considerable mineral resources including chromium, copper, nickel and coal. The chromium quantity and quality is particularly high. Before 1990 Albania was the third biggest producer of this mineral in the world due to its considerable resources. The extracted mineral was processed in part and was then exported directly. There could be now possibilities of full processing.

Albania also has unused reserves of phosphate and bauxite rocks. According to Ministry of Economy, Trade and Energy experts these reserves have a low content of useful material. A bauxite mine is operating to get the material that is needed by the national cement industry, while no work is going on in phosphorite mines.

Extraction industries are in private hands and, as a result, there are opportunities of greenfield investments in the sector. New investment opportunities can also be offered in the process of signing new concessionary agreements.

#### **6.1.3.e Oil and Gas**

The hydrocarbon energy sources consist of 62% of the Albanian energy balance. The national needs are fulfilled with domestic production (40-45%, production of the public company ARMO sha), and the rest comes from imports through wholesale companies. Now there are about 107 joint-stock companies in the sector of fuel trade. In the beginning of the transition the oil and gas industry inherited sources that had already been explored and that were on consolidated oil ground resources in addition to its full experience in oil and gas exploration, production, refining, services and trade. With the transition to the market economy some discrepancies were identified between investment needs and capacities, which led to a fall in the oil production (2.5 times) and gas (24 times). Oil sources were in their late utilization stage and had an outdated technology.

In the following period the oil and gas industry will continue to be an important sector of the Albanian economy because of its share in the energy balance and land development to finalize the complete transformation of public property into private one. The following is an estimation of initial oil reserves: a) geological, 430 million ton, and b) extractable, about 80 million ton. Extractable oil reserves as of 01.01.2005 were about 30 million ton crude oil, of which about 10 million ton in limestone formations and 20 million ton in sand formations. Initial gas reserves are about 500 million Nm<sup>3</sup> extractable in oil sources in the form of gas cap and about 8.8 billion Nm<sup>3</sup> in the form of accompanying gas. Extractable reserves as of 01.01.2005 were about 3.6 million.

As a result of restructuring oil companies, implementing hydrocarbon agreements in the Patos-Marinze Region and using new extraction technologies since 1998, oil and gas production increased by about 10% annually. The increase is projected to continue in 2006, with the production reaching about 560 thousand ton, while it was 448 thousand ton in 2005. The oil and gas production is projected to increase at even a higher rate because of the implementation of the Hydrocarbon Agreement with the Patos-Marinze Area.

Oil and gas exploration and production in Albania is performed only on the basis of hydrocarbon agreements, which are concessionary agreements—drafted on international models—signed by the Ministry of Economy, Trade and Energy (the Ministry that is responsible for hydrocarbons) pursuant to a proposal by the negotiation group under the National Agency for Natural Resources, and approved by a Council of Ministers' Decree. The implementation of the law is enabled by a special fiscal package under Law No 7811 of 12.04.1994 “On the Approval of Decree No 782 of 22.02.1994 “On the Fiscal System in the Hydrocarbon Sector (Exploration and Production)”. 17 hydrocarbon agreements have been signed in the past sixteen years. About USD 500 million has been invested by foreign companies in oil exploration so far.

Local and international companies operate in the hydrocarbon sector, whose activities comprise a broad range from exploration and production to sale and marketing of oil and gas byproducts.

Priority investment projects in the hydrocarbon sector in the medium-term period will be in the following areas:

- connection of Albania with the Southeast European oil and gas network;
- application of advanced extraction technology in known oil sources;
- reconstruction and construction of oil refineries;
- exploration of oil and gas by foreign companies in the framework of hydrocarbon agreements;
- rehabilitation and protection of the environment;
- construction of coastal tanks;
- support services, etc.

The privatization process in the hydrocarbon sector is another possibility that will ensure a greater efficiency in the areas of hydrocarbon production, refining and sale.

### **6.1.3.f          *Tourism***

Albania has considerable natural tourist resources. The Albanian coastline is 450 km long and has some of the cleanest and most beautiful coastal areas in the Northern Mediterranean Sea, which can compete with Italian and Croatian coasts. The south of Albania is only a few kilometers away from another big tourist destination: the Greek island of Corfu.

The Government is preparing a new law on tourism, which will define its development plans for the sector and is expected to enter into force in 2007.

FDI prospects in the sector of tourism are limited due to undeveloped infrastructure in Albania, lack of tourist facilities and, more importantly, problems related to property ownership rights and property registration, which are barriers to tourist investment. All these factors lead to the creation of an image of Albania as a potentially but non-existent tourist destination. Hence, initial FDI in the Albanian tourism will come in the form of investment in tourist villages and marinas.

The problems in the development of the Club Med plan near Saranda show that there are still issues related to ownership rights and that there is still room for improving the legal framework before Albania starts realizing its tourist potential.

### **6.1.3.g          *Electrical power***

#### ***Basic data on the Albanian electrical power system***

The Albanian economy currently needs about 6.5 to 7 billion kWh electrical power a year. Average annual production is about 4 to 4.4 billion kWh. Albania has to import about 2.5 billion kWh a year. Its installed capacity is about 1,450 MW. Its deficit of the installed capacity is about 800-900 MW. About 98% of the electrical power is produced by hydro power plants. Average electrical power selling price in 2006 is projected to be about ALL 7.4 per kWh.

#### ***Opportunities of investment in the construction of new generation sources***

Opportunities of investing in generation sources are great because, as it was shown above, only 60-70% of the national energy demand is met, depending on hydrological conditions.

While 98% of the electrical power production comes from hydro power, there are still opportunities of investing in the construction of hydro power plants because only 30-35% of the Albanian hydro potential has been used so far.

Possibilities of building hydro power plants are big, from small plants of 2 MW to medium-sized ones.

Old and new studies exist on the construction of hydro power plants, which define potential locations for the construction of about 40 small hydro power plants on streams or river branches across Albania.

In addition, there are pre-feasibility studies for the exploitation of the potential of all major rivers in Albania and locations where bigger hydro power plants of installed capacity from 60 to 350 MW could be built. Main rivers where hydro power plants could be built include the Vjosa in South Albania, the Devoll in Central Albania and the Drin in North Albania. The biggest potential hydro power plants include Bratille; Bushat; Tepelene; Skavice; Banje, etc.

In order to achieve a balance between the production of hydro power and thermal power and improve the electricity grid parameters, studies envisage the construction of thermal power plants at several points of the system. Important thermal facilities include:

- Vlora thermal power plant with a capacity of about 100 MW, the construction of which will start in 2007 with financing from the World Bank, EIB and EBRD.
- Other thermal power plants with financing from potential investors.

### ***Opportunities of investing in the transmission network***

Except for a few big emergency investment projects in major points of the grid, the Albanian electrical power system has a relatively old and outdated grid, based on Russian, Chinese, Czech and Italian technology. The transmission network and most of transformer nodes do not cope with the necessary load and are inadequate for implementing modern technologies in the area of energy system management and utilization and participation in the regional energy market. A lot of studies have been carried out in this area, identifying objects of national and regional importance for building a contemporary network with regard to both equipment and parameters.

The following are the most important projects in this area:

- Construction of the new dispatcher center, with Italian Government funding;
- 400kV Elbasan –Tirane Line, 400/220 kV Tirana Substation, Tirane-Vau i Dejes Line and Vau i Dejes-Podgorice Line, with funding from KfW and the Italian Government, and Vau i Dejes-Kosove Line.
- Babice, Vlore, Substation with South Korean Government funding, and 220 kV Fier –Vlore Line.
- Strengthening and rehabilitation of all 220 kV substations (USD 27 million, of which EUR 20 million from EBRD and EUR 5 million from KESH sh.a. in the framework of APL2 Project.
- 400 kV Zemblak – Bitola Line

### ***Opportunities of investment in distribution***

Important investment will be implemented in the distribution network. Most of investment in this sector is combined with the construction of strengthening of substations with donor funding.

- Uznove, Berat, Substation, with World Bank funding;
- Elbasan Substation, with World Bank funding;
- Gjiri i Lalezit Substation, with World Bank funding;
- Strengthening of substations and high voltage lines in the area of Vau i Dejes;
- 7 substations with funding from the Japanese Bank of Foreign Investment;
- Substations with funding from EIB in Vlore, Elbasan and Kavaje, etc.

In addition to the above-mentioned projects, other projects will focus on:

- Construction of 110 kV Babice (Vlore) – Sarande Line and two 110/20 kV substations in Dukat and Himare and the respective distribution network.
- Construction of 110 kV Zemblak (Korce) - Erseke - Permet – Gjirokaster Line
- Construction of a new 110/20 substation in Gjirokaster and the respective network

***The National Energy Strategy has envisaged about USD 1.2 billion investment in the electrical power sector until 2015, which is about USD 100 million a year.***

## **6.2 FDI Policies and Strategic Directions**

So far foreign investment has focused in sectors that, due to market and transition conditions, could offer bigger returns on investment and control over risks. Albania is now in a race with other countries in the region to attract investment. In this context, in addition to encouraging foreign investors to invest in Albania, the aim is at

- combining efforts in order to encourage the establishment of new industries in Albania with domestic investment, which will later also attract foreign capital
- new industries will be born in the context of an increasingly open competition because of technological innovation, new consumer needs or other economic and strategic changes leading to the new products and services
- in the process of technology transfer, one should have account of the fact that this process is somewhere between the needs of competitive markets and another reality: international investment and technology transfer, which are defined by multinational companies and the decisions they make in the context of an oligopoly balance they base their strategic domination. The technology direction and know-how, however, may also depend on the features of host economies and the existence of local technologies or competitive environment.
- Regarding cost issues, the practice in Albania so far has shown that people focus on the competitive advantage related to production costs, forgetting those related to advertising, services, infrastructure, etc. In addition, in the course of achieving the goal of attracting global capital we will also have to pay the costs and price related to structural entrance barriers and expected reaction from regional and global companies.

- Support policies in the area of investment will continue to intensify in the direction of improving business climate, physical infrastructure, utility services and regulatory framework, which has a direct impact on investment cost reduction in Albania.
- In order to attract foreign investment, the image of Albania will be improved further, encouraging the establishment of industrial parks and zones.
- The promotion and development of investment projects in partnership with the private sector and application of concessionary schemes will have a significant impact on the rise in domestic and foreign investment.
- One scheme that would be appropriate for the investment development needs in this context would be the infusion of public schemes represented by business development boards with expert panels from big Albanian companies, specialized in strategic planning, investment and financing, joint ventures, partnerships, technology transfer and purchase, etc.
- One of the important areas to focus efforts is the development of information technology, which will initially will include urban centers and will then gradually include local and rural areas across the country; this will include distribution of telecommunications and internet services in remote and less developed regions and centers.

### **6.3 Goals**

- Increase FDI flows through expedited privatization and concession processes; the privatization of strategic sectors, in particular, will be a major source of increased FDI in the short and medium run. In 2007-2008 privatization and concession processes in the electrical power, oil and gas, transport and SME sectors will be completed.
- Increase FDI flows in specific sectors such as shoe and clothing, services and construction materials sectors. According to sector studies carried out under the EU Cards/UNDP Project No 2004 / 084-899 “Support for Trade Regulation and Promotion”, Albania has a competitive advantage in these sectors, which need immediate support for promotional activities. Increased investment flows in other potential sectors such as mining, oil and gas, agro-business and tourism has been subject of several surveys carried out by experts under the same project, but promotional activities in those sectors should be performed only after complete sector studies on investment opportunities have been carried out.
- Strengthen capacities of promotional structures and structures implementing Government strategies and policies in the area of business and investment promotion; Law No 9497 of 20.3.2006 established the Albanian Business and Investment Agency, which has been in the process of restructuring as a result of the merger of three agencies (the Foreign Investment Promotion Agency, the SME Agency, and the Export Promotion Agency). In order to implement policies and strategies as effectively as possible, it is indispensable to strengthen the Agency with human resources—staff recruitment and training—and financial resources.

- Establish industrial parks complete with the necessary infrastructure and services, which significantly reduces investment costs in a country like Albania where ownership right and infrastructure issues are still an obstacle to attracting foreign investors.
- Ensure that half of investment needs of the Albanian economy in 2007-2013 are covered by FDI. This objective is based, above all, on envisaged measures for improving investment climate including the strengthening of market regulation capacity; ensuring competition and eliminating informal economy; guaranteeing ownership rights and solving inherited conflicts; liberalizing market entry procedures; Faster integration into regional and EU markets; etc.
- Improve the image of Albania; any investment promotion activities would fail unless foreign investors have a preliminary image of the country. While no studies on the image of Albania have been carried out, it is already clear that a lot has to be done in this area, particularly in neighboring countries—Italy and Greece—but also in other countries such as Austria, Germany and countries in the region with which business relations are more intensive and of mutual interest.

#### **6.4. Actions to Be Taken**

- Business climate improvement: Establishing a fair balance between market regulatory and liberalization policies and state intervention in the market, streamlining business registration procedures, facilitation of custom and tax procedures, sorting out land and construction issues, improving administrative appeal procedures, and reducing the informal economy will have a positive impact on investment increase in the country.
- Development and adoption of a new law and regulations on concessions and their implementation (in 2007); The Government of Albania is preparing the full implementation legislation package under the new Law on Concessions, which will enable increased transparency, effectiveness and fairness in signing concessionary agreements and development or special procedures for granting concessionary projects. When the Law comes into effect it will encourage capitalization in various business sectors including energy, mining, tourism, transport, telecommunications, etc. In special circumstances the Law provides concessionary incentives and minimum prices such as the price of EUR 1.00 in priority sectors and regions. The implementation of the projects will mainly rely on the provision of state property—assets, natural resources, economic activities—at the price of EUR 1.00. The Government has several alternative options to which the project will be applied. For instance, the project envisages offering the following items at the price of EUR 1.00: Existing public company assets, public land, and tariffs or services related to them. The Government can use several instruments in the course of the project: rent out state-owned land at EUR 1.00; sell state-owned land at EUR 1.00; let state-owned land at the concessionary royalty tariff of EUR 1.00 for 10-20 years. Special terms and conditions, assessment criteria and sanctions will be applied to each case.

- A study identifying target groups and countries for the Albanian image improvement efforts, and defining the relevant activities (2007).
- Promotional activities in the area of improving the image of Albania (2008-2013).
- Albinvest staff training in order to build capacities in the context of achieving investment promotion and service objectives and other activities in the area of strengthening the capacities of the Agency (2007)
- Expedition of the privatization process, as a major source of FDI growth in the short run (by 2009);
- Promotional activities in such countries like Italy, Germany, Austria, etc., to promote the footwear and clothing industry, business services and construction materials as per a previously developed program.
- Development of a coordinated program for promoting Albania and its investment opportunities in new industries and areas. (2007-2013)
- Identification of investment opportunities and markets in potential sectors such as electrical power, mining, oil and gas, agro-business and tourism. (2007-2008)
- Promotional activities in such sectors as electrical power, mining, oil and gas, agro-business and tourism (2009-2013).
- Establishment of industrial parks; It is indispensable to identify strategic appropriate areas that are about 30-50 ha or bigger, and then, through public private partnerships or a banking-sector-supported development fund, establish the first industrial park with the support of local authorities and private entities; In 2007-2011 the Italian Investors Association project for the establishment of the first industrial park in Koplik will be supported.
- Services for existing investors as a source of new investment (after-care services)
- Monitoring of foreign investment impact in order to have more effective and flexible policies in the context of better exploiting such investment.
- A project for increasing the communication and cooperation with the Albanian diaspora. (2008-2010)
- A project for training Albanian embassy staff on economic issues and issues related to investment in Albania. (2008-2010)
- A study on the possibility of opening two or three representation offices in countries with the greatest potential of foreign investment in Albania (by 2008).
- Establishment of two or three representation offices in countries with the greatest potential of foreign investment in Albania. ( 2009-2013). Action plan *Annex VI*.

## **VII. STRATEGY IMPLEMENTATION COST IMPLICATIONS (ESTIMATES)**

In the process of performing an approximate estimation of costs related to the implementation of business and investment strategy the following have been kept into account: METE 2008-2010 medium-term budget program, various foreign-funding projects currently implemented and planned to be started in specific areas, and estimations based on other projects and activities to be implemented in partnership with the business community. Over the next years SME, Export and FDI development programs are planned to be funded, including the regulatory reform, which also

includes funding for the development of the non-food industry based on free entrepreneurship. Depending on the specific measures, a share of the costs will also be covered by foreign financing, besides funding from METE and other institutions.

In the process of performing cost estimation we have also taken into account costs related to the establishment of industrial parks or zones, with an approximate cost of about EUR 1 million per park land development hectare.

Approximate costs for specific projects, institution building, etc. are based on various studies or the experience of other countries. In this context we would like to underline the following:

- According to estimations, approximately **LEK 803 million** is needed for the improvement of business climate, a part of which will be covered by donors including USA project MCA, GTZ, BERIS. This includes measures for the reduction of market entry barriers, facilitation of new business registration procedures, one-stop-shop business registration, and the establishment of legal framework impact assessment (RIA) in the area of SMEs.
- About **LEK 4,660 million** is needed for the development of growing businesses with internationalization potential, which includes projects for increasing SME competitiveness, and technology transfer and innovation promotion. It is thought that there will be supported by EU (IPA Instrument for preaccession and CIP Competitiveness and Innovation programe).
- The Koplik Industrial Park project about **LEK 8,832 million** will be built upon the initiative of the Association of Italian Investors.
- **LEK 7.498 million** is needed for SME financing, which envisages various credits and micro-credits for SMEs, the establishment of credit guarantee funds, and the promotion of other SME financing instruments. Of special importance is the three-year Italian project for supporting SMEs with a credit facility and financial assistance for the establishment of the Albanian Guarantee Fund, at the amount of **LEK 3.690 million**.
- The entrepreneurship culture promotion estimated budget is **LEK 331 million**. These measures will be taken in close cooperation with the Ministry of Education and the Ministry of Labor, Social Affairs and Equal Opportunities. EU has been envisaged to provide financial support.
- The state budget share of the cost coverage for other quality, certification and registration institutions is estimated to be **LEK 847 million**.

Institutions with a significant impact on the rise in the exporting and competitive skills of Albanian companies are related to the areas of metrology, standardization, accreditation and quality testing for goods and services provided by the Albanian economy. To reinforce and complete this institutional infrastructure support and cooperation projects have been concluded with international financial institutions such as the World Bank, IBRD, etc, and BERIS Project.

One of the BERIS Project (Business Environment Reform and Institutional Strengthening) goals is directly related to sector and company capacity strengthening in order to increase exports to the region and EU countries. This will certainly be achieved by strengthening the system of metrology, standardization, accreditation

and quality assurance (MSTQ). Products and service quality is one of the major factors with a significant impact on export growth.

The main focus of this support for quality and standardization institutions will be on: Increasing their technical and professional capacities, establishing a metrology and calibration laboratory, food and veterinary laboratory, compliance and translation of EU technical norms for products and services, training and strengthening the Accreditation Department capacities informing them about EU and international experience, etc.

- The costs of building the infrastructure for handling and managing products for internal consumption and export<sup>9</sup> are estimated to be over **LEK 3.690 million**.

This cost was not seen before hand in the cost of the investment and business strategy, for it has to be foreseen at the strategy prepared by MAFCP.

The infrastructure will consist of establishing Collection and Handling Centers (about 50 such centers across the country) for agricultural products, and several slaughter and meat treatment facilities (about 40 slaughter facilities). The investment is planned to be covered with funding from the Government or various donors, while most of the infrastructure will be realized by private businesses because the establishment and operation of the centers has been conceived with the involvement of the private sector. The Government support or contribution for this infrastructure does not contravene international economic and legal organizations restrictions on financing manufacturing and exports because it is merely infrastructure and is not directly related to financial support for local businesses. On the other hand, there is adequate legal framework for allowing support for the agricultural production.

Establishment of an export center that will treat export products near the Port of Durres<sup>10</sup> (the location will be in Xhaf-Zotaj). The center will process products and provide a series of additional services such as standardization, packaging, etc., giving products added value vis-à-vis international standards, and processing even small batches.

The value of 123 million leke is not seen before hand at the business and investment strategy, for it has to be foreseen at the strategy prepared by MAFCP

The Establishment of the Albanian Export Credit Guarantee Fund is planned to starting the implementation by Albinvest during 2008-2013 years, the share which is to be covered by state budget in 2008-2013 is Lek 1.100 million.

### ***Strategy implementation total cost estimations:***

In order to achieve the business and investment development goals for 2007-2013, the estimated budget is about **LEK 26.136 million**, for 2007-2010 there is a budget of LEK 11,179 million for which there is donor funding commitment at the amount of

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<sup>9</sup> This measure will be implemented under leadership from the Ministry of Agriculture, Food and Consumer Protection, with donor support.

<sup>10</sup> This measure will be implemented under leadership from the Ministry of Agriculture, Food and Consumer Protection, with donor support.

**LEK 7.572 million** and the share to be covered by the state budget is **LEK 437 million**. In addition, the state budget will cover other costs related to human resources, research and development, training, etc.

*Table: Cost implications, by sectors*

<i>Million LEK</i>									
Sector	2006	2007	2008	2009	2010	2011	2012	2013	Mil.Lek
SME promotion	50	608	1295	2165	2277	2312	2440	2450	13597
Export promotion	0	272	475	325	330	280	230	230	2142
FDI promotion	36	90	464	845	1548	1954	2245	2645	9827
Mining	46	93	93	90	77	56	57	58	570
<b>TOTAL Costs</b>	<b>132</b>	<b>1,063</b>	<b>2,327</b>	<b>3,425</b>	<b>4,232</b>	<b>4,602</b>	<b>4,972</b>	<b>5,383</b>	<b>26,136</b>

Some of the donor-committed funds for the next two years:

### **2007 - 2008**

- LEK 3.690 million under the three-year Italian program for SME support, which is expected to begin by the end of 2007.
- LEK 250 million under the USA MCA Project (regulatory reform)
- LEK 980 million under WB BERIS Projects (regulatory reform)
- LEK 98 million under WB Project for the reduction of local government licensing procedures.
- LEK 340 million under GTZ, the German Government
- LEK 320 million under KfW, the German Government
- LEK 295 million under the IPA Program for encouraging entrepreneurship and increasing Albanian SME competitiveness
- LEK 1.599 million , Spanish Agency for International Cooperation, wich has signed with 3 microcredits institutions

Covered by state budget

- LEK 25 million for the Establishment of the Competitiveness Fund 2007, covered by state budget
- LEK 412 million for promotion activities by Albinvest 2008 - 2010

During the rest of the Strategy period (2009-2013) funding will be requested from international financial institutions, foreign development agencies, and other donors.

The detailed implementation costs of the Business and Investment Development Strategy are given in *Annex VII*.

## **VIII. RISKS ASSOCIATING THE SUCCESSFUL IMPLEMENTATION OF THE STRATEGY**

### ***- The progress of the EU stabilization and association process***

In June 2006 Albania took an important step in its path toward European integration by signing the Stabilization and Association Agreement, which affects all sectors of the economy. One important condition for European Union funding is the fulfillment of commitments in behalf of Albania of all commitments undertaken under the Agreement, which will also contribute to the implementation of measures envisaged in this Strategy.

### ***- Political climate and economic cooperation in the region***

The Balkan region has experienced tensions as a result of various conflicts, which have had a negative impact on trade and economic relations. A tensioned political climate would also affect trade or investment flows and, as a result, the achievement of the goals of this Strategy.

### ***- Efficient synergy in all activities for improving the image of Albania in the international arena***

Unless there is a synergy of action among all institutions contributing to the enhancement of Albania in the world (Albinvest, Tourism Entity, etc.) then there would be negative consequences in all social and economic areas and the achievement of goals of this Strategy for instance, low level of foreign investment, etc.).

### ***- Reaction and strategic movements of investments in the region***

Most of the foreign investments in countries that have recently become EU member states, such as Romania or Bulgaria, are moving away due to increased operation costs toward other regions or other countries in the same region. The favorable climate or special incentives that other countries in the region might provide could prevent Albania from attracting an adequate level of foreign investment.

It is indispensable to make use of advantages offered by the location of Albania vis-à-vis the region and the EU with regard to attraction of investment, as well as to give solutions to all issues including Electrical power supply, improvement of the overall physical infrastructure, the regulatory framework, reduction of the informal economy, solution of ownership rights problems, etc.

### ***- The progress of the strategic privatization process in telecommunications, energy, etc.***

A slow privatization process would bring about negative consequences in FDI flows, which, in the short run, would be a major source of foreign investment, but what is more important this would have a negative impact on the progress of these

sector. The privatization process in such sectors as telecommunications or energy is also regarded as factor of development in those sectors, particularly with regard to the infrastructure businesses operate in.

***- Raising adequate funds for the implementation of activities and measures in the context of the goals of this strategy.***

Like in all strategies, the implementation of its measures will also depend on the ability to raise the necessary funds. The goal achievement costs will be covered in part by the state budget, but most of the measures will require financing from international financial institutions, foreign development agencies and other donors. For certain measures, one part of the costs will also be covered by the private sector—e.g. the industrial park in the Koplík area will be financed by the Association of Italian Investors. Most of the funds for this Strategy will be allocated to measures related to the establishment, strengthening and increasing the quality of institutions that support businesses and infrastructure. One risk in this area is related to the degree priorities will be observed when allocating funds or reallocating funds in cases of natural disasters.

## **IX. STRATEGY MONITORING INDICATORS**

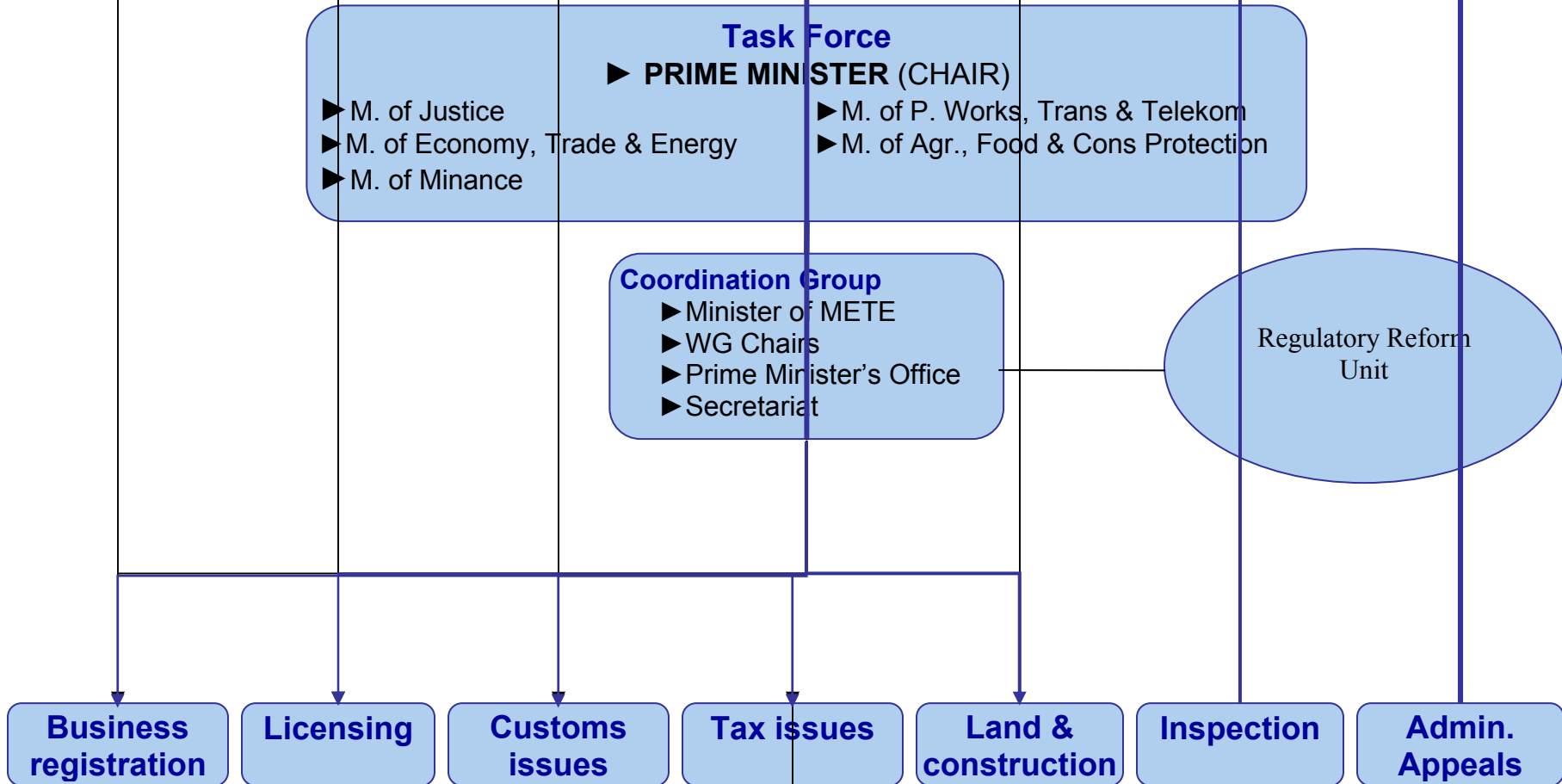
The Business and Investment Strategy will be monitored using the following indicators:

Description	UNIT	2005 Actual	2006 Projection	2007	2008	2009	2010	2011	2012	2013
<b><i>BUSINESS CLIMATE</i></b>										
Number of days needed for new business registration		24	20	5	1	1	1	1	1	1
Number of days needed for starting a new business		41	39	30	20	10	5	1	1	1
Number of steps needed for starting a new business		13	11	7	5	1	1	1	1	1
<b><i>SME Performance</i></b>										
Number of active enterprises	Thousand enterprises	65	77.8	81.7	84.1	85.8	86.7	87.5	88.4	89.3

Percentage increase in the number of enterprises	%	15.4%	20%	5%	3%	2%	1%	1%	1%	1%
Number of employees in the non-agriculture private sector <sup>11</sup>	000	215	225	235	245	255	265	275	285	295
Percentage increase in the number of employees	%	10%	5%	4%	4%	4%	4%	4%	4%	4%
<b>Exports</b>										
Total exports of goods (X)	Million €	528	629	720	810	910	1020	1139	1300	1509
Percentage increase in exports	%	8.1%	19%	14%	12%	12%	12%	12%	14%	16%
<b>FDI</b>										
Percentage increase in FDI	%	-25%	22%	58%	15%	17%	5%	5%	5%	5%

<sup>11</sup> The figures related to the number of employees are based on the Ministry of Labor, Social Affairs and Equal Opportunities employment strategy

### Institutional Structure of the Regulatory Reform



**ANEKS II-1. ACTIVE COMPANIES BY PREFECTURE AND YEAR OF CREATION**

Prefecture	Year of creation							
	Till 2000	2001	2002	2003	2004	2005	2006	Total
Berat	1192	164	185	346	250	240	623	<b>3000</b>
Dibër	401	95	30	75	122	148	299	<b>1170</b>
Durrës	2416	609	781	1193	1320	1038	2130	<b>9487</b>
Elbasan	1958	308	351	615	492	526	782	<b>5032</b>
Fier	2600	504	546	1146	786	1021	1160	<b>7763</b>
Gjirokastrë	1127	97	120	545	304	390	265	<b>2848</b>
Korcë	2419	443	347	846	635	725	905	<b>6320</b>
Kukës	200	26	31	28	21	47	313	<b>666</b>
Lezhë	508	56	59	173	295	200	424	<b>1715</b>
Shkodër	833	126	136	397	415	343	1300	<b>3550</b>
Tiranë	9849	1872	2170	2601	4305	4090	5215	<b>30102</b>
Vlorë	2268	276	325	689	876	771	956	<b>6161</b>
<b>Total</b>	<b>25771</b>	<b>4576</b>	<b>5081</b>	<b>8654</b>	<b>9821</b>	<b>9539</b>	<b>14372</b>	<b>77814</b>

**ACTIVE COMPANIES BY PREFECTURE AND SIZE 2006**

Prefecture	1-4 employees	5-19 employees	20-79 employees	Over79 employees	Totalj
Berat	2850	105	34	11	<b>3000</b>
Dibër	1069	74	24	3	<b>1170</b>
Durrës	8782	542	124	39	<b>9487</b>
Elbasan	4639	291	84	18	<b>5032</b>
Fier	7378	267	93	25	<b>7763</b>
Gjirokastrë	2675	117	44	12	<b>2848</b>
Korcë	5980	233	82	25	<b>6320</b>
Kukës	582	63	20	1	<b>666</b>
Lezhë	1568	111	25	11	<b>1715</b>
Shkodër	3280	178	72	20	<b>3550</b>
Tiranë	27633	1801	503	165	<b>30102</b>
Vlorë	5744	304	95	18	<b>6161</b>

**ACTIVE COMPANIES BY PREFECTURE AND ECONOMIC ACTIVITY**

Prefecture	Economic activity					
	Agriculture	Industry	Construction	Transport	Trade	S
Berat	17	441	123	298	1439	
Dibër	12	144	100	207	441	
Durrës	136	1032	610	1013	4103	
Elbasan	49	531	197	756	2205	
Fier	45	832	260	883	3898	
Gjirokastrë	32	323	149	348	1402	
Korcë	50	800	155	825	3116	
Kukës	15	46	91	46	298	
Lezhë	47	219	131	136	755	
Shkodër	36	420	214	243	1663	
Tiranë	65	2515	1431	1702	15931	
Vlorë	135	628	386	574	3212	
<b>Total</b>	<b>639</b>	<b>7931</b>	<b>3847</b>	<b>7031</b>	<b>38463</b>	

**ACTIVE COMPANIES BY ECONOMIC ACTIVITY AND SIZE**

economic activity	Size class				TOTAL
	1-4 employees	5-19 employees	20-79 employees	OVER 80 employees	
	MICRO	SMALL	MEDIUM	BIG	
Agriculture	522	77	32	8	<b>639</b>
Industry	6578	835	365	153	<b>7931</b>
Construction	2534	896	378	39	<b>3847</b>
Transport	6676	281	53	21	<b>7031</b>
Trade	37288	1039	123	13	<b>38463</b>
Services	18582	958	249	114	<b>19903</b>
<b>TOTAL</b>	<b>72180</b>	<b>4086</b>	<b>1200</b>	<b>348</b>	<b>77814</b>

Source: INSTAT, Company Repertory, 2006

## Measures for the implementation of SME development objectives, 2007-2013

Measures and actions to be taken	Responsible institutions	Monitoring indicators	Timeframe	Projected cost in million LEK
<b>A..Establishment of an appropriate business climate for SME development</b>				<b>803</b>
Enhancement of the regulatory framework and elimination of administrative barriers that cause excessive costs for the establishment and operation of companies	METE, MF,	Reduced number of licenses	2007-2011	188
Establishment of the Regulatory Impact Assessment (RIA)	METE	Assessed impact of adopted business laws	2008	246
Establishment of a tax system that facilitates the SME sector	METE, ALBINVEST, MF	Simple payment system	2007-2010	
Feasibility study on revising the business registration model	METE, MF, MJ	Performed study	2007	246
Establishment of the National Company Registration Center	METE, line ministries	Business registration time: 1 day	2007-2008	123
<b>B. SME capacity development</b>				<b>4,660</b>
Development of technology transfer and innovation strategy	METE, ALBINVEST	Performed strategy, training, sector studies	2008-2013	50
Support for innovation SMEs and technology transfer to SMEs	METE, ALBINVEST, MF	Established fund, and the number of SMEs supported by the fund	2009-2013	2667
Partnership program with Innovation Relay Centre IRC and European Information Centre EIC for the establishment of innovation centers	METE, ALBINVEST	Established BIRC center	2008-2010	98.4
Establishment of SME innovation incubators	METE, ALBINVEST	Established technology incubators	2008-2013	246
Establishment of R&D centers at Tirana University Tirana University-Government-business relationship	METE, MASH, ALBINVEST	The center in operation at Tirana	2007-2012	123

		University		
Support for SMEs in priority economic (manufacturing) sectors	METE, ALBINVEST, MF	The number of assisted and trained SMEs	2008-2013	123
Support for SMEs so that they are acquainted with and implement ISO 9000 systems	METE, ALBINVEST, Department of Standards	The number of certified and trained SMEs	Continuous	123
E-commerce development program. Preparation of the legal framework on e-commerce and electronic signature.	METE	Law on Electronic Signature, Law on E-Trade	2008-2013	123
Development of business infrastructure and a national business consultants network	ALBINVEST, METE	Database of consultants	2008-2009	246
Improvement of SME access to business information in specific areas	ALBINVEST, METE	Albinvest website with information	2007-2013	123
Approximation of legislation with EU legislation	METE	Laws are developed in line with EU	2009-2013	123
Institutional strengthening at central and local government level in order to support businesses	METE, line ministries	Increased institutional capacities	Continuous	123
SME observatory	Albinvest			492
Improved institutional framework and public-private dialogue in order to ensure the implementation of coherent policies and measures for SME development promotion.	METE	Improved activity of BAC	2007	

<b>C. Increase SME financing</b>				<b>7,498</b>
Increase crediting, and establish the Albanian Credit Guarantee Fund.	METE, ALBINVEST, MF	Establishment of the Albanian Credit Guarantee Fund	2007-2013	4920
Increased funds for micro-credits.	METE, MF	Raised funds for micro-credits from donors such as KfW,	2007-2013	2332

		etc.		
Establishment of funds to be applied in the participation in entrepreneurship programs	METE, ALBINVEST, MF	Established fund	2009-2013	123
Subsidies for interest rates will be considered in order to encourage technology improvement and transfer given the high loan interest rates	METE, ALBINVEST, MF	Established loan interest subsidy	2009	123
Application of other financial instruments	METE, MF	Company number and turnover	2007 - 2011	
- implementation of factoring				
- improvement of leasing				
- - public-private guarantee schemes				
- joint guarantee schemes				
etc				
<b><i>D. . Promote entrepreneurship culture</i></b>				<b>331</b>
Development and implementation of the entrepreneurship promotion strategy	MLSAEO, MASH, METE, Albinvest	Performed and implemented entrepreneurship studies and curricula	2007-2011	208
Learning about entrepreneurship				
Formal education				
Informal education				
Establish and improve management and training skills:	MLSAEO, MASH, METE, Albinvest	Developed and approved programs	2007-2012	123
• Development of training programs on entrepreneurship skills development				
• Development of programs for introducing entrepreneurship in basic education programs at all levels.				
• Development of training programs with newly-graduated young people and the unemployed, and provide them with updated information continuously.				
• Participation of the media in the promotion of a positive image of successful entrepreneurs and businesses				
<b><i>E. Improvement of access to foreign cross-border markets</i></b>	<b><i>METE, ALBINVEST, MI</i></b>		<b>2007-2013</b>	<b>305</b>
<b>Totali</b>				<b>13,597</b>

<b>Objective 1</b>						
<b>Approximate legislation in response to EU integration and mining activity development.</b>						
Activity	Target	Indicators	Timeframe		Impact	Involved institutions
			Fillimi	End		
Approximation of the mining law with EU directives  (Consultancy *)	<b>Legislation approximation and improvement</b>	<b>Amended Albanian Mining Law</b>	March 2007	October 2008	<i>Concordance with ER directives on mining</i> <i>Expedited licensing process</i> <i>Avoided legal duplication and overlapping of management institutions' responsibilities</i> <i>Clarification of the Government role in the mining activity and mining law</i>	<b>Parliament</b> <b>Council of Ministers</b> <b>METE</b> <b>Mining institutions</b> <b>Ministry of Integration</b>
<b>CoMD, implementation legislation and regulations on:</b> ❖ <b>mining supervision and inspection</b> ❖ <b>mining monitoring</b> ❖ <b>certification of mining products</b> ❖ <b>closing of mines that have been or are in operation</b> ❖ <b>licensing</b> (privatization and liberalization) of research, consultancy and technical management services in the mining sector ❖ <b>standardization</b> as per EU directives of the following norms	<b>Legislation approximation and improvement</b>	<b>Regulation</b> on mining supervision <b>Regulation on mining monitoring</b> <b>CoMD</b> on closing mines <b>CoMD</b> on the certification of mining products <b>Regulation on research, technical design, consultancy and technical</b>	October 2006  May 2007  January 2007  January 2008  September 2006	June 2007  June 2007  April 2007  September 2008  December 2006	<i>Rational exploitation of mining resources;</i> <i>Good management of the national resources as resources that are not renewable;</i> <i>Rehabilitation of premises in used or closed mines;</i> <i>Inspection of mining products;</i> <i>Inspection of mine risks;</i> <i>Possibility of increasing mining study-design-execution activity;</i> <i>Concordance of mining legislation with ER directives on mining</i>	<b>Council of Ministers</b> <b>METE</b> <b>Mining institutions</b> <b>Ministry of Environment</b> <b>Mining Universities</b> <b>Ministry of Interior and Local Government</b>

<ul style="list-style-type: none"> <li>✓ work safety</li> <li>✓ mining discharges and waste</li> <li>✓ normal working conditions</li> <li>✓ Health safety of employees</li> </ul>		<b>management services in the mining sector</b> <b>CoMD</b> on working conditions safety in mines <b>CoMD</b> on mining discharges and waste	May 2007  March 2007	November 2008  December 2008		
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## Objective 2

**Ensure institutional strengthening and human resources professional growth in response to increasing demand by the restructured mining industry in the context of sustainable development.**

Activity	Target	Indicators	Timeframe		Impact	Involved institutions
			Begin	End		
<ul style="list-style-type: none"> <li>➤ <b>Completion</b> of the restructuring of mining institutions;</li> <li>➤ <b>Vocation training</b> of administrative structures;</li> <li>➤ <b>Increase</b> of the logistic capacity of mining institutions;</li> <li>➤ <b>Cooperation</b> among institutions in the country and abroad</li> <li>➤ <b>Mobilization</b> of human resources that are professionally capable in the area of minerals, metals and energy.</li> </ul>	<b>Improve effectiveness Professional work</b> of institutions involved in mining	<b>Establishment</b> of the National Agency for Natural Resources <b>Staff training</b> in the country and abroad <b>Participation</b> in post-university courses <b>Improvement</b> of field laboratories for supervising and monitoring mines <b>Organizational</b>	January 2006	June 2006	<i>Effective management of human resources</i> <i>Reassessment of mining resources</i> <i>Increased professional level of staff in mining institutions</i> <i>Improved and modernized logistical capacity of mining institutions</i> <i>Fulfilled role of Government services</i> <i>Cooperation and exchange of experience</i> <i>Involvement of skilled human resources</i>	<b>Council of Ministers</b> <b>METE</b> <b>Mining and geology institutions</b> <b>Mining universities</b>
			January 2007	December 2007		
			September 2006	September 2009		
			January 2007	December 2008		
			December 2006			

		n of a mining workshop every year <b>Participation</b> in cooperation areas with institutions from EU member states <b>Provision of the National Agency</b> for Natural Resources with skilled staff	September 2006	December 2020		
			September 2006	December 2020		
				December 2020		

### Objective 3

**Formulate and implement general policies for the promotion and rational use of natural resources and increasing mining reserves.**

Activity	Target	Indicators	Timeframe		Impact	Involved institutions
			Fillimi	End		
<b>Development of</b> <ul style="list-style-type: none"> <li>mineral promotion strategy</li> <li>recognized mining areas promotional models;</li> <li>and promotional models for mining areas to be explored; specific strategies for mineral markets;</li> <li>Six-monthly newsletters on mineral market.</li> </ul> <b>Development of maps:</b> <ul style="list-style-type: none"> <li>☞ <b>mining areas</b> (preparation and updating);</li> <li>☞ <b>depth metalogenic</b> (publication every other year);</li> <li>☞ <b>spatial planning</b> (preparation and updating);</li> </ul>	<b>Attraction of investments</b> in the mining sector, <b>increased employment</b> in the mining sector, <b>development of rural areas</b>	<b>CoMD Mining Promotion Strategy Regulations</b> Specific mineral strategies <b>Annual publication</b> of promotional models and informational brochures on mining <b>Map of mining areas</b> <b>Map of</b>	January 2006	December 2006	<i><b>Defined main areas in the process or promotion;</b></i> <i><b>Rational exploitation of mining resources;</b></i> <i><b>Exploitation of new minerals and processed mineral products;</b></i> <i><b>Information about mining;</b></i> <i><b>Completion of the database with data on mining licenses and computerization of the database;</b></i> <i><b>assessment of the current situation and prospects in mining and mineral market in the country and abroad;</b></i> <i><b>classification according to internationally recognized</b></i>	<b>METE Mining and geology institutions</b> <b>Ministry of Transport</b> <b>Ministry of Environment</b> <b>Ministry of Interior and Local Government,</b> <b>Ministry of Agriculture, Food and Consumer Protection</b> <b>Ministry of Defense</b>
			January 2007	June 2008		
			December 2006	December 2020		

<p>☞ <b>digital map of mining facilities</b>  <b>Establishment</b> of a National Mining Registry;  <b>Complex studies</b> on specific mining regions on exploration and modern processing technologies; And on the mining market (supply and demand, and needs) in the country and the region.  <b>Assessment</b> of deficitary minerals in the European market and our capacities of producing them.  <b>Participation</b> in the information network (media, internet, press, publication)</p>		<p>metagenic depth  <b>Map of spatial planning</b>  <b>digital map of mining facilities</b>  <b>National Mining Registry</b>  <b>Complex studies on specific mining regions on extending mining resources</b>  <b>Website of the National Agency for Natural Resources</b></p>	<p>January 2007  June 2007  January 2007  January 2007  January 2007  January 2006  January 2007</p>	<p>December 2008 (updating by 2020)  December 2012 (updating by 2020)  December 2009  December 2008 (updating by 2020)  December 2009 (updating by 2020)  December 2020  June 2007 (updating by 2020)</p>	<p><i>parameters;</i>  <b>Complex information</b>  <i>about metagenic depth as a basis for exploration activities;</i></p>	<p><b>Investment Promotion Agency</b>  <b>Statistics Institute</b>  <b>Chamber of Commerce</b></p>
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**Objective 4**

Implement effective control and supervision of mining activities at extraction and processing entities.

Activity	Target	Indicators	Timeframe		Impact	Involved institutions
			Begin	End		

<ul style="list-style-type: none"> <li>❖ <b>Performance</b> of a continuous inspection and supervision of mining entities as per mining legislation requirements.</li> <li>❖ <b>Performance</b> of technical control and review of applications for mining rights.</li> </ul>	<p><b>Good management</b> of natural mining resources</p> <p><b>Rational exploitation of mining resources;</b></p>	<p><b>Performed control</b> as per mining legislation requirements</p> <p><b>Technical review</b> of applications for mining rights</p>	<p>July 2006</p> <p>July 2006</p>	<p>December 2020</p> <p>December 2020</p>	<p><b>Technical review</b> of applications for mining rights;</p> <p><b>Verification</b> of mining areas,</p> <p><b>Inspection</b> as per mining legislation requirements,</p> <p><b>Financial audits</b> of exploited amounts ensuring transparency of mining businesses;</p> <p><b>Monitoring</b> of exploitation of reserves as per approved programs;</p> <p><b>Monitoring</b> of the implementation of working safety rules;</p> <p><b>Monitoring</b> of professional level and treatment of employees;</p>	<p><b>METE</b></p> <p><b>Mining institutions</b></p> <p><b>Ministry of Environment</b></p> <p><b>Ministry of Interior and Local Government</b></p>
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## Objective 5

Continuously monitor post mining activities. Ensure that mining activities respect the environment and the communities.

Activity	Target	Indicators	Timeframe		Impact	Involved institutions
			Begin	End		
<ul style="list-style-type: none"> <li>➤ <b>Performance of continuous monitoring</b> of mining entities as per mining legislation requirements.</li> <li>➤ <b>Completion of the process of closing</b> ineffective mines.</li> <li>➤ <b>Monitoring of the rehabilitation</b> of mining areas.</li> <li>➤ <b>Monitoring of mining risks</b> in existing mineral extraction and processing entities.</li> <li>➤ <b>Development</b> of the digital map of mining risks</li> </ul>	<p><b>Protect</b> mining areas and surrounding environment, and <b>avoid</b> mining disasters</p>	<p><b>Continuous monitoring</b> of mining areas</p> <p><b>Implementation</b> of projects for closing mines</p> <p><b>Map</b> of Albanian mining risks</p>	<p>July 2006</p> <p>September 2006</p> <p>June 2007</p>	<p>December 2020</p> <p>December 2008</p> <p>December 2010</p>	<p><b>Monitoring</b> of mining areas as per legal requirements</p> <p><b>Monitoring</b> of mining and post-mining activities;</p> <p><b>Monitoring</b> of mining risks;</p> <p><b>Monitoring</b> of damage caused by mining activities;</p> <p><b>Completion</b> of the process of closing ineffective mines</p> <p><b>Establishment</b> of action options in case of emergencies</p>	<p><b>METE</b></p> <p><b>Mining and geology institutions</b></p> <p><b>Ministry of Environment</b></p> <p><b>Ministry of Interior and Local Government,</b></p> <p><b>Ministry of Agriculture, Food and Consumer Protection</b></p> <p><b>Ministry of Defense</b></p>

## Annex V

**TREGUESIT E TREGTISE SE JASHTME NE RAPORT ME PRODHIMIN BRENSHEM BRUTO (PBB-çmime korente) PER VITET 1998-2006**

Nr	Pershkrimi	1998		1999		2000		2001		2002		2003		2004		2005		2006		Ndryshimi % 06/05 (\$)
		Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	Mln/lek	Mln/\$	
I	<b>Prodhimi Brendshem Bruto (PBB ose GDP)</b>	412326	2737	474291	3445	530906	3694	610426	4254	677684	4835	744974	6113	780100	7589	822035	8256.7	899700	9143	10.7
II	<b>Eksport (X)</b>	31104	207	37978	275.82	37229	259.6	43710	303.9	47491	338.1	54442	442	62331	602.2	65612.1	659.0	77396	788.0	19.6
III	<b>Import (M)</b>	126271	838	169916	1234	155533	1089	192702	1340	210431	1497	225210	1832	240595	2330	261801.6	2623	299810	3057	16.6
IV	<b>Volum Tregtar (X+M)</b>	157375	1045	207894	1510	192762	1348	236412	1644	257922	1835	279652	2274	302926	2932	327414	3282	377206	3845	17.2
V	<b>Bilanc Tregtar (X-M)</b>	-88596	-588	-86321	-627	-115005	-805	-147157	-1023	-162940	-1159	-170768	-1390	-178263	-1728	-196190	-1964	-222414	-2269	15.5
VI	<b>Raporti Volum Treg (X+M) / GDP</b>	-	38.2	-	43.8	-	36.5	-	38.6	-	38.0	-	37.2	-	38.6	-	39.7	-	42.1	5.8
VII	<b>Raporti Deficit Treg (X-M) / GDP</b>	-	-21.5	-	-18.2	-	-21.8	-	-24.0	-	-24.0	-	-22.7	-	-22.8	-	-23.8	-	-24.8	4.3
VIII	<b>Raporti Eksport, X / GDP</b>	-	7.5	-	8.0	-	7.0	-	7.1	-	7.0	-	7.2	-	7.9	-	8.0	-	8.6	8.0
IX	<b>Raporti Import, M / GDP</b>	-	30.6	-	35.8	-	29.5	-	31.5	-	31.0	-	30.0	-	30.7	-	31.8	-	33.4	5.3

The trade share of GDP over the past few years has been relatively steady at about 38%, with some very little fluctuations and in 2006 was 42.1% which show that our economy and market are increasingly opening; the same is true about the imports share of GDP, which has been 30% on average, which means that the importing trend is still strong. The export/GDP ratio is still at a low level (7%); even though over the past few years this indicator has increased and in 2006 was 8.6%, our economy is still not exporting sufficiently. The ratio between the trade balance and GDP is still high (in absolute terms) and negative, which means that the trade deficit is high

# Ecuria e Eksportit Tregtar sipas Struktures se tij te Prodhimit per Vitet 1995-2006

Nr	Emertimi	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004		Ndrysh		2005		Ndrysh		2006		Ndrysh										
		Mln/\$	ne%	Mln/Lek	Mln/\$	ne%	Mln/Lek	Mln/\$	ne%	Mln/Lek	Mln/\$	ne%	Mln/Lek	Mln/\$	ne%	Mln/Lek	Mln/\$	ne%	Mln/\$	Mln/\$	ne%	Mln/\$	Mln/\$	ne%	%( \$)	Mln/\$	Mln/\$	ne%	%( \$)	Mln/\$	Mln/\$	Mln/€	ne%	ne%	%( \$)					
																							04/03			05/04							06/05							
<b>1</b>	<b>Eksport gjithsej</b>	202	100	22001	210.5	100	21044	141.3	100	31104	206	100	37913	276	100	37229	259	100	43709.7	304	100	47491	338	100	54442	441.6	100	62331	602.2	100	36.4	65612	659	100	<b>9.4</b>	77396	788	629	100	<b>19.6</b>
<b>a</b>	<b>Prodhim brendsh</b>	111	55	13398	128.2	61	11338	76.1	54	14341	95.2	46	12619	88.9	33.3	10865	75.7	29	11702	81	26.8	11910	85	25.1	12249	99.3	22.5	14652	141.6	23.5	42.5	19477	194.8	29.6	<b>38</b>	23104	235.2	187.8	29.9	<b>21</b>
<b>b</b>	<b>Rieksport(P-aktiv)</b>	91.0	45	8603.2	82.3	39	9706.4	65.2	46	16763	111.3	54	25294	188	66.7	26364	184	71	32008	223	73.2	35581	253	75	42193	342.3	77.5	47679	460.6	76.5	34.6	46135	464.2	70.4	<b>0.8</b>	54292	553	441.2	70.1	<b>19.1</b>

Nr	Emertimi	Vjetori-03					Ndryshimi	Ndryshimi	Vjetori-04					Ndryshimi	Ndryshimi
		Vlera				% ndaj	% (\$)	%(€)	Vlera				% ndaj	% (\$)	%(€)
		Mln/lek	000/\$	000/€	Totalit	03/02	03/02	Mln/lek	000/\$	000/€	Totalit	04/03	04/03		
1	Produkte bujqesore-blektoral, industris ushqimore.	4470.0	36656	32470.7	8.3	15.5	-3.1	5064.7	49163.2	39841.4	8.2	34.1	22.7		
2	Minerale, lende djegese, energji elektrike	1426.7	11749	10401.5	2.7	29.1	7.5	2544.7	24440.5	19993.5	4.1	108.0	92.2		
3	Produkte kimike dhe artikujt plastik	377.1	3050	2726.6	0.7	32.6	10.8	423.0	4111.9	3331.6	0.7	34.8	22.2		
4	Lekure dhe artikuj prej lekure	1367.4	11051	9873.0	2.5	-25.1	-36.9	1374.6	13252.6	10760.8	2.2	19.9	9.0		
5	Prodhome druri dhe te letres	2235.5	17809	16134.6	4.0	55.2	31.9	1703.8	16489.7	13352.6	2.7	-7.4	-17.2		
6	Tekstile, artikujt tekstil dhe veshjet e kembes, kepuçet.	35192	285122	254673	64.6	30.3	9.2	38171	368630	298637	61.2	29.3	17.3		
7	Materiale ndertimi, perla e gur te cmuar dhe metalet baze etj.	6324.4	51375	45830.8	11.6	55.9	30.7	9145.6	88162.3	71589.5	14.6	71.6	56.2		
8	Makineri, pajisje, mjetet e transportit dhe pjese kembimi	2002.5	16250	14511.0	3.7	70.7	46.8	2396.1	23224.5	18816.5	3.9	42.9	29.7		
9	Artikuj tjere te prodhuar, Instrumenta optik e fotografik, vepra arti etj	1047.3	8538	7586.1	1.9	14.0	-7.1	1507.9	14682.7	11854.8	2.4	72.0	56.3		
-	<b>Total</b>	54442	441601	394207	100	31	9.5	62331	602158	488178	100	36.4	23.8		
Nr	Emertimi	Vjetori-05					Ndryshimi	Ndryshimi	Vjetori-06					Ndryshimi	Ndryshimi
		Vlera				% ndaj	% (\$)	%(€)	Vlera				% ndaj	% (\$)	%(€)
		Mln/lek	000/\$	000/€	Totalit	05/04	05/04	Mln/lek	000/\$	000/€	Totalit	06/05	06/05		
1	Produkte bujqesore-blektoral, industris ushqimore.	5384.0	54022.4	43357.6	8.2	9.9	8.8	6143.1	62773.9	49925.1	7.9	16.2	15.1		
2	Minerale, lende djegese, energji elektrike	3436.0	34376.4	27722.2	5.2	40.7	38.7	5808.7	59301.6	47216.0	7.5	72.5	70.3		
3	Produkte kimike dhe artikujt plastik	591.5	5956.3	4752.1	0.9	44.9	42.6	563.0	5739.4	4575.4	0.7	-3.6	-3.7		
4	Lekure dhe artikuj prej lekure	1274.4	12812.2	10242.4	1.9	-3.3	-4.8	1485.8	15077.5	12077.1	1.9	17.7	17.9		
5	Prodhome druri dhe te letres	2070.2	20822.5	16630.6	3.2	26.3	24.5	2504.2	25497.6	20348.6	3.2	22.5	22.4		
6	Tekstile, artikujt tekstil dhe veshjet e kembes, kepuçet.	38081	383049	305937	58.0	3.9	2.4	42411.4	431594.8	344660.5	54.8	12.7	12.7		
7	Materiale ndertimi, perla e gur te cmuar dhe metalet baze etj.	10463	104684	84268.1	15.9	18.7	17.7	13323	135547.1	108277.3	17.2	29.5	28.5		
8	Makineri, pajisje, mjetet e transportit dhe pjese kembimi	2710.5	27206	21791.5	4.1	17.1	15.8	2979.0	30299.5	24204.1	3.8	11.4	11.1		
9	Artikuj tjere te prodhuar, Instrumenta optik e fotografik, vepra arti etj	1601.2	16054.1	12886.3	2.4	9.3	8.7	2177.9	22211.9	17695.4	2.8	38.4	37.3		
-	<b>Total</b>	65612	658983	527588	100	9.4	8.1	77396	788043	628979	100	19.6	19.2		

**EKSPORTI SIPAS KAPITUJVE TE SISTEMIT HARMONIZUAR (HS) PER VITET 2003-2006**

Kap HS	Pershkrimi	2003			%/Total	%(\$) 03/02	%(€) 03/02	2004			%/Total	%(\$) 04/03	%(€) 04/03	2005			%/Total	%(\$) 04/03	%(€) 04/03	2006			%/Total	%(\$) 06/05	%(€) 06/05
		Mln/lek	000/\$	000/€				Mln/lek	000/\$	000/€				Mln/lek	000/\$	000/€				Mln/lek	000/\$	000/€			
1	Kafshë të gjalla	4.3	36.0	30.7	0.01	-89	-91.2	90.6	870.3	720.3	0.15	2319	2243	95.4	952.5	770.6	0.1	9.4	7.0	104.1	1079	846	0.13	13.2	9.8
2	Mish dhe të brendshme	140.2	1163.4	1017.7	0.26	233	177.1	0.1	0.5	0.4	0.00	-100	-100	33.7	332.4	275.5	0.1	67084	67145	137.0	1398	1114	0.18	320	305
3	Peshku dhe kafshët gj	104.7	851.4	758.9	0.19	-10	-25.9	110.8	1072.4	871.4	0.18	26	14.8	178.6	1776.4	1443.0	0.3	66	65.6	250.6	2547	2036	0.32	43	41.1
4	Produkte bulmetore, v	75.8	616.1	549.1	0.14	31	9.7	56.8	555.0	445.7	0.09	-10	-18.8	56.9	587.4	451.9	0.1	6	1.4	14.7	151	119	0.02	-74	-73.7
5	Produkte me origjinë	6.5	55.0	47.9	0.01	67	43.6	13.2	129.4	105.0	0.02	135	119.4	9.9	101.1	78.2	0.0	-22	-25.6	24.8	249	201	0.03	147	157.0
6	Pemët e bimët e tjera t	24.9	211.2	183.8	0.05	141	106.1	44.3	438.8	347.2	0.07	108	88.9	67.4	676.2	541.8	0.1	54	56.1	94.3	972	764	0.12	44	41.1
7	Zarzavatet e ngrënshm	156.4	1302.3	1143.4	0.29	-8	-21.3	250.2	2468.3	1991.7	0.41	90	74.2	127.1	1264.8	1026.3	0.2	-49	-48.5	129.1	1334	1050	0.17	5	2.3
8	Frutat dhe arrat e ngrë	55.7	473.4	400.8	0.10	409	324.0	38.0	372.7	307.1	0.06	-21	-23.4	67.9	668.8	548.9	0.1	79	78.7	232.9	2403	1891	0.30	259	244.5
9	Kafe, çaj, mate dhe er	49.9	410.8	363.7	0.09	-7	-22.4	78.6	757.8	613.3	0.13	84	68.6	148.2	1486.3	1192.4	0.2	96	94.4	142.2	1450	1155	0.18	-2	-3.1
10	Drithrat	2.6	21.3	18.8	0.00	13	-1.2	0.5	4.5	3.7	0.00	-79	-80.1	0.1	1.1	0.8	0.0	-75	-77.5	1.0	11	8	0.00	890	895.5
11	Produkte të industrisë	66.4	568.2	486.6	0.12	100	100	39.0	367.4	296.4	0.06	-35	-39	0.9	9.4	7.3	0.0	-97	-98	2.7	29	22	0.00	205	199
12	Farat dhe frutat vajc	1455	11848.6	10555	2.7	9	-8.4	1431.4	13881	11219.9	2.3	17	6.3	1529	15340	12311	2.3	11	9.7	1592	16245	12944	2.06	6	5.1
13	Lac, gomat, Rreshirat e	7.4	60.5	54.4	0.01	-65	-69.9	51.4	497.8	399.4	0.08	723	634.2	22.0	224.9	175.6	0.0	-55	-56.0	60.6	630	491	0.08	180	179.8
14	Materiale vegjetale qe	0.0	0.0	0.0	0.00	-100	-100.0	0.1	1.1	0.9	0.00	100	100	2.5	25.5	19.8	0.0	2138	2000	1.5	16	12	0.00	-38	-38
15	Vajra dhe dhjama ka	44.5	363.5	323.0	0.08	3244	2765	35.0	337.1	276.2	0.06	-7	-14	29.8	300.4	239.4	0.0	-11	-13	55.6	565	452	0.07	88	89
16	Ushqimet e përgatitu	1536	12475	11127	2.8	34	13.5	1646.5	16018	12927.3	2.6	28	16.2	1636	16464	13145	2.5	3	1.7	2107	21458	17112	2.72	30	30.2
17	Sheqernat dhe ëmbëls	4.3	35.1	31.0	0.01	236	186.4	2.6	24.5	19.9	0.00	-30	-35.8	1.4	14.4	11.7	0.0	-41	-41.4	9.3	96	76	0.01	571	549
18	Kakao the përgatitje k	0.0	0.0	0.0	0.00	-100	-100.0	5.3	52.5	42.1	0.01			23.7	235.1	192.2	0.0	348	356.9	6.9	68	56	0.01	-71	-70.7
19	Përgatitjet prej drithë	3.9	31.7	28.1	0.01	267	200.1	11.4	112.4	90.2	0.02	255	221.3	10.9	109.0	87.5	0.0	-3	-2.9	13.5	137	110	0.02	25	25.6
20	Përgatitjet prej zarzav	28.7	234.1	209.3	0.05	-63	-68.6	155.4	1507.4	1224.2	0.25	544	484.8	130.1	1306.2	1045.7	0.2	-13	-14.6	137.7	1382	1120	0.18	6	7.1
21	Përgatitje të ndryshme	6.3	53.2	46.1	0.01	-32	-47.4	9.3	90.3	74.0	0.02	70	60.6	2.8	27.4	22.8	0.0	-70	-69.2	0.6	6	5	0.00	-78	-79.5
22	Pijet, alkooolt dhe ut	81.7	661.4	593.8	0.15	9	-7.9	627.6	6051.9	4941.5	1.01	815	732.2	643.3	6425.8	5194.1	1.0	6	5.1	617.1	6351	5016	0.80	-1	-3.4
23	Mbetjet dhe kthimet n	15.7	127.8	113.6	0.03	-64	-70.0	35.7	341.0	278.1	0.06	167	144.8	19.2	195.1	154.1	0.0	-43	-44.6	0.1	1	1	0.00	-99	-99.3
24	Duhani dhe zëvendës	599.1	5055.7	4388	1.1	-9	-24.2	331.2	3211.8	2645.3	0.5	-36	-39.7	546.9	5498.2	4421.5	0.8	71	67.1	408.1	4197	3322	0.53	-24	-24.9
25	Produkte bujqes	4470	36656.2	32470.7	8.2	16	-3.1	5064.7	49163.2	39841.4	8.2	34	22.7	5384	54022.4	43357.5	8.2	9.9	8.8	6143	62774	49925	7.94	16.2	15.1
25	Kripërat, sulfuret, oks	136.7	1124.6	992.6	0.25	114	76.0	207.0	2001.2	1631.9	0.33	78	64.4	245.5	2452	1980.9	0.4	23	21.4	344.4	3502	2801	0.45	43	41.4
26	Xeheroret, zgjyrat d	685.8	5812.4	5053.3	1.3	269	212.6	605.4	5790.7	4757.8	1.0	0	-5.8	1287	12891	10379	2.0	123	118.1	2171	22236	17620	2.80	72	69.8
27	Lëndët djegëse mine	604.2	4812.0	4355.6	1.1	-31	-41.9	1732.3	16649	13603.8	2.8	246	212.3	1903	19033	15362	2.9	14	12.9	3294	33563	26794	4.26	76	74.4
28	Kimikatet inorganike,	125.1	983	895.7	0.23	112	77.7	43.6	429.3	345.2	0.07	-56	-61.5	86.4	861.4	698.2	0.1	101	102.3	43.1	447	351	0.06	-48	-49.8
29	Kimikatet organike	6.2	54.6	46.0	0.01	792	635.4	0.7	7.0	5.7	0.00	-87	-87.7	0.8	8.3	6.4	0.0	19	12.4	2.3	24	19	0.00	186	193.4
30	Produktet farmaceutik	100.4	815.4	729.2	0.18	39	16.2	67.9	659.3	531.4	0.11	-19	-27.1	67.7	690.7	539.5	0.1	5	1.5	43.5	438	353	0.06	-37	-34.5
31	Pleheruesit,	0.6	4.7	4.2	0.00	-96	-96.7	3.8	37.7	30.4	0.01	703	620.8	18.1	181.9	146.0	0.0	382	380.7	3.4	34	28	0.00	-81	-81.1
32	Ekstraktet ngjyrosëse	10.4	86.0	75.5	0.02	-19	-33.2	19.7	188.8	155.4	0.03	120	105.8	19.4	195.6	155.7	0.03	4	0.2	21.2	217	172	0.03	11	10.5
33	Vajrat thelbësore dhe	21.0	165.5	150.9	0.04	130	92.5	28.1	269.3	218.4	0.04	63	44.8	17.7	174.0	143.1	0.0	-35	-34.5	35.2	352	285	0.05	102	99.3
34	Sapuni, agjentet organ	5.9	48.7	42.9	0.01	0	-13.5	43.1	418.2	340.9	0.07	758	695.1	38.7	395.7	308.8	0.1	-5	-9.4	15.4	157	125	0.02	-60	-59.6
35	Substancat albuminoi	0.3	2.4	2.3	0.00	-96	-96.5	0.4	3.8	3.1	0.00	57	39.7	3.2	31.5	25.7	0.0	725	718.1	0.5	6	4	0.00	-82	-83.0
36	Eksplzivët, produkte	1.4	10.6	9.8	0.00	100	100	1.5	14.6	12.0	0.00	38	23	5.2	54.0	41.6	0.0	270	247	0.0	0	0	0.00	-99	-99
37	Mallrat fotografike dh	6.5	53.6	46.3	0.01	9653	7839	0.1	1.3	1.0	0.00	-98	-98	0.1	0.6	0.4	0.0	-54	-56	0.1	1	1	0.00	108	124
38	Produkte të ndryshme	21.2	180.3	156.2	0.04	9	-10.5	17.9	168.8	139.2	0.03	-6	-10.9	37.5	386.3	297.7	0.1	129	113.9	9.8	101	80	0.01	-74	-73.2
39	Plastika dhe artikuj pr	60.2	496.9	437.7	0.11	-13	-28.7	131.1	1276.7	1034.7	0.21	157	136.4	187.1	1878.0	1505.9	0.3	47	45.5	321.0	3283	2609	0.41	75	73.3

38	Produkte të ndryshme kimike,	10.7	0.1	0.02	22.95	0.17	0.05	21.2	0.2	0.04	17.9	0.2	0.03	37.5	0.4	0.06
39	Plastika dhe artikuj prej tyre,	108.5	0.8	0.25	80.03	0.57	0.17	60.2	0.5	0.11	131.1	1.3	0.21	187.1	1.9	0.29
40	Gomë dhe artikuj të tij	30.0	0.2	0.07	13.36	0.10	0.03	17.9	0.1	0.03	65.1	0.6	0.11	109.6	1.1	0.17
41	<b>Lëkurët e papërpunuara dhe të përpunuara (pervecse gezofet)</b>	1526	10.6	<b>3.49</b>	<b>1573.00</b>	<b>11.18</b>	<b>3.31</b>	1247	10.1	<b>2.28</b>	1290.8	12	<b>2.07</b>	1187.3	12	<b>1.81</b>
42	Artikuj prej lëkure; samaret dhe takemet e kalit, mallrat e udhëtimt, cantat e dorës dhe konte	35.5	0.2	0.08	485.68	3.51	1.02	110.9	0.9	0.20	37.7	0.4	0.06	67.4	0.7	0.10
43	Gëzofët dhe qimet artificiale, prodhimet prej tyre	9.8	0.1	0.02	8.14	0.06	0.02	9.7	0.1	0.02	46.1	0.4	0.07	19.7	0.2	0.03
44	<b>Druri dhe artikuj prej druri, qymyri i drurit</b>	1249	<b>8.7</b>	<b>2.86</b>	<b>1205.77</b>	<b>8.57</b>	<b>2.54</b>	1066	<b>8.6</b>	<b>1.96</b>	976.7	<b>9.4</b>	<b>1.57</b>	1043.9	<b>11</b>	<b>1.59</b>
45	Tapa dhe artikuj prej tape	0.0	0.0	0.00	0.03	0.00	0.00	0.0	0.0	0.00	0.0	0.0	0.00	1.4	0.0	0.00
46	Prodhimet e kashtës,te espartos apo te materialeve te tjera thures;punimet në xunkth e në ka	2.9	0.0	0.01		0.00	0.00	0.1	0.0	0.00	1.5	0.0	0.00	0.3	0.0	0.00
47	Brumi i drurit apo i materialeve te tjera fibroze celulozike; leter dhe krton i rikuperueshem(m	0.7	0.0	0.00	0.05	0.00	0.00	0.8	0.0	0.00	1.5	0.0	0.00	9.5	0.1	0.01
48	<b>Letra dhe kartoni, artikuj të brumit të letrës dhe të kartonit</b>	182.3	1.3	<b>0.42</b>	<b>248.63</b>	<b>1.78</b>	<b>0.52</b>	502.6	4.1	<b>0.92</b>	670.7	6.5	<b>1.08</b>	970.3	9.7	<b>1.48</b>
49	<b>Librat, revistat, pikturat dorëshkrimt, shtypshkrimet dhe projektet</b>	63.6	0.4	<b>0.15</b>	<b>157.43</b>	<b>1.13</b>	<b>0.33</b>	665.9	5.1	<b>1.21</b>	53.4	0.5	<b>0.09</b>	44.8	0.4	<b>0.07</b>
50	Mendafsh	0.0	0.0	0.00	0.10	0.00	0.00	0.0	0.0	0.00	6.4	0.1	0.01	4.7	0.0	0.01
51	Leshi, qime kafshësh të holla apo te ashper kafshesh, fije prej flokeve te kalithe pelhura te en	2.0	0.0	0.00	5.86	0.04	0.01	8.5	0.1	0.02	15.7	0.2	0.03	19.6	0.2	0.03
52	Pambuku	9.0	0.1	0.02	4.51	0.03	0.01	2.6	0.0	0.00	5.3	0.1	0.01	1.8	0.0	0.00
53	Fibra te tjera tekstile vegjetale; fill letre dhe pelhure te endur prej tyre	0.0	0.0	0.00		0.00	0.00	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.00
54	Filamentet e bëra nga njerëzit	13.6	0.1	0.03	5.74	0.04	0.01	14.1	0.1	0.03	8.0	0.1	0.01	18.6	0.2	0.03
55	Fibrat themelore të bëra nga njerëzit	0.1	0.0	0.00	0.27	0.00	0.00	1.4	0.0	0.00	2.5	0.0	0.00	0.5	0.0	0.00
56	Mbushjet shajak dhe pëlhura të paendura; fijet speciale; spango; kordone;litare dhe kablo e a	0.3	0.0	0.00	29.54	0.21	0.06	1.4	0.0	0.00	9.6	0.1	0.02	8.1	0.1	0.01
57	Qilimet dhe veshje të tjera të dyshemesë prej tekstili	0.0	0.0	0.00	0.46	0.00	0.00	0.3	0.0	0.00	0.0	0.0	0.00	0.1	0.0	0.00
58	Pëlhurat speciale të endura, pelhura tekstile me xhufkatantella, tapiceri, qëndismat		0.0			0.00		8.5	0.1	0.02	1.6	0.0	0.00	3.3	0.0	0.01
59	Pëlhura tekstile të ngopura, të veshura, të mbuluara apo të alminuara, artikuj tekstili te nje llo	2.8	0.0	0.01	8.06	0.06	0.02	0.0	0.0	0.00	0.3	0.0	0.00	0.4	0.0	0.00
60	Pëlhura të thurura me një file apo me shumë file	5.0	0.0	0.01		0.00	0.00	0.4	0.0	0.00	2.2	0.0	0.00	6.3	0.1	0.01
61	<b>Artikuj të veshjes dhe rroba plotësuese, të thurura</b>	10	0.1	<b>0.02</b>	<b>12.12</b>	<b>0.09</b>	<b>0.03</b>	6866	55.7	<b>12.61</b>	8458.9	82	<b>14</b>	7742.3	78	<b>12</b>
62	<b>Artikuj të veshjes dhe plotësues të veshjes jo të thurura me apo me shume file</b>	6003	41.7	<b>13.73</b>	<b>6065.39</b>	<b>43.17</b>	<b>12.77</b>	11814	95.4	<b>21.67</b>	12229	118	<b>20</b>	11872	119	<b>18</b>
63	<b>Artikuj të tjerë tekstile të ndërtuar, grupet e artikujve tekstil, veshjet e përdorura, leck</b>	9891	68.8	22.63	10946.8	77.91	23.05	221	1.8	0.41	170	2	0	302	3	0
64	<b>Veshjet e këmbëve, gjynjaket dhe te ngjashmet e tyre, pjeset e artikujve te tille</b>	406	3	<b>0.93</b>	<b>326.92</b>	<b>2.35</b>	<b>0.69</b>	16252	132	<b>29.84</b>	17205	166	<b>28</b>	18006	181	<b>27</b>
65	Veshjet e kokës dhe pjeset e tyre	12434.4	86.4	28.45	13314.1	94.78	28.03	1.7	0.0	0.00	55.2	0.5	0.09	95.5	1.0	0.15
66	Çadrat, të diellit, bastunet artikuj per gjuetije etj.	87.4	0.6	0.20	0.49	0.00	0.00	0.0	0.0	0.00	0.0	0.0	0.00	0.5	0.0	0.00
67	Puplat dhe pushi I përgatitur, lulet artificiale, artikuj prej fluku te njerezve	0.0	0.0	0.00	13.87	0.10	0.03	0.3	0.0	0.00	0.0	0.0	0.00	0.0	0.0	0.00
68	Artikuj prej guri, allçie, çimento, mike, asbesti etj	0.0	0.0	0.00	0.69	0.00	0.00	107.7	0.9	0.20	86.3	0.8	0.14	84.1	0.8	0.13
69	Produkte qeramike	100.1	0.7	0.23	138.02	1.00	0.29	109.8	0.9	0.20	135.1	1.3	0.22	187.5	1.9	0.29
70	Qelqi dhe artikuj prej qelqi	144.2	1.0	0.33	100.93	0.72	0.21	35.9	0.3	0.07	55.3	0.5	0.09	44.1	0.4	0.07
71	<b>Perlat natyrale, gurët e çmuar, bizhuteritë, monedhat</b>	17.3	0.1	0.04	25.84	0.18	0.05	50.1	0.4	0.09	80.4	0.8	0.13	114.8	1.2	0.17
72	<b>Giza dhe çeliku</b>	651	4.5	<b>1.49</b>	<b>50.95</b>	<b>0.36</b>	<b>0.11</b>	2391	19.5	<b>4.40</b>	4105.8	39	<b>6.59</b>	4576.3	46	<b>6.97</b>
73	Artikuj prej gize dhe çeliku	1092.8	7.6	2.50	1186.82	8.49	2.50	186.3	1.5	0.34	280.2	2.7	0.45	503.5	5.0	0.77
74	<b>Bakri dhe artikuj prej bakri</b>	239.5	<b>1.7</b>	<b>0.55</b>	<b>155.30</b>	<b>1.10</b>	<b>0.33</b>	493.7	<b>4.0</b>	<b>0.91</b>	857.9	<b>8.3</b>	<b>1.37</b>	1007.6	<b>10</b>	<b>1.54</b>
75	Nikeli dhe artikuj prej tij	305.6	2.1	0.70	409.17	2.92	0.86	7.7	0.1	0.01	9.5	0.1	0.02	9.8	0.1	0.01
76	<b>Alumini dhe artikuj prej tij</b>	6.7	0.0	<b>0.02</b>	<b>10.39</b>	<b>0.07</b>	<b>0.02</b>	872.7	7.0	<b>1.60</b>	996.6	9.6	<b>1.59</b>	1340.1	13	<b>2.04</b>
77		837.0	5.8	1.91	870.39	6.16	1.83		0.0			0.0			0.0	
78	Plumbi dhe artikuj prej tij	0.0	0.0	0.00	11.36	0.08	0.02	34.5	0.3	0.06	57.0	0.5	0.09	90.7	0.9	0.14

79	Zinku dhe artikuj prej tij	2.4	0.0	0.01	8.27	0.06	0.02	8.4	0.1	0.02	4.1	0.0	0.01	10.3	0.1	0.02
80	Kallaj dhe artikuj prej tij	3.8	0.0	0.01		0.00	0.00	0.0	0.0	0.00	0.0	0.0	0.00	1.1	0.0	0.00
81	Metale te tjera baze; metalo qeramikat, produktet prej tyre	0.0	0.0	0.00	3.04	0.02	0.01	14.4	0.1	0.03	0.0	0.0	0.00	1.1	0.0	0.00
82	Veglat e punës, pajisjet e punës, takëmet e ngrënies, luget dhe pirunjte prej metali baze, pjeset	0.0	0.0	0.00	21.38	0.15	0.05	25.8	0.2	0.05	187.7	1.8	0.30	70.8	0.7	0.11
<b>83</b>	<b>Artikuj të ndryshëm prej metali bazë</b>	<b>58</b>	<b>0.4</b>	<b>0.13</b>	<b>1635.83</b>	<b>11.64</b>	<b>3.44</b>	<b>1986</b>	<b>16.2</b>	<b>3.65</b>	<b>2289.8</b>	<b>22</b>	<b>3.67</b>	<b>2421.4</b>	<b>24</b>	<b>3.69</b>
84	Reaktorë nuklearë, bolierët, makineritë e pajisjet mekanike, pjeset e tyre	971.9	6.8	2.22	746.40	5.23	1.57	799.7	6.5	1.47	977.9	9.5	1.57	752.9	7.6	1.15
85	Makineri dhe pajisjet elektrike dhe pjesët e tyre, regjistrues e riprodhues e tingullit, imazhit te	640.0	4.4	1.46	441.71	3.15	0.93	986.8	8.0	1.82	1207.8	12	1.95	1740.2	17	2.65
86	Lokomotivat e trenave e tranvajave , vagonat dhe pjeset e tyre, pjeset mekanike te sinjalizimit	380.0	2.6	0.87	0.00	0.00	0.00	3.0	0.0	0.01	0.1	0.0	0.00	18.7	0.2	0.03
87	Mjetet e transportit të ndryshëm nga vagonat e hekurudhës e tranvajes, pjeset plotesues te tyre	0.0	0.0	0.00	119.93	0.85	0.25	141.6	1.1	0.26	141.5	1.4	0.23	173.6	1.7	0.26
88	Avionët, anijet e hapësirës dhe pjesët e tyre	137.3	1.0	0.31	0.03	0.00	0.00	0.7	0.0	0.00	65.3	0.6	0.10	22.1	0.2	0.03
89	Anijet, varkat dhe strukturat lundruese	0.1	0.0	0.00	0.33	0.00	0.00	0.0	0.0	0.00	3.5	0.0	0.01	3.1	0.0	0.00
90	Instrumentat dhe aparatet optike, fotografike, kinematografike.matesa, kontrolli, pozicioni, n	0.0	0.0	0.00	37.91	0.27	0.08	26.0	0.2	0.05	205.9	2.1	0.33	124.3	1.3	0.19
91	Orët e të gjitha llojeve dhe pjesët e tyre	26.8	0.2	0.06	1.63	0.01	0.00	0.0	0.0	0.00	1.1	0.0	0.00	0.0	0.0	0.00
92	Instrumentat muzikore pjesët e plotesuesit e tyre	0.0	0.0	0.00		0.00	0.00	4.2	0.0	0.01	0.0	0.0	0.00	0.1	0.0	0.00
93	Arme dhe municione, lende eksplozive te ndryshme	0.0	0.0	0.00	90.90	0.66	0.19	40.6	0.3	0.07	60.0	0.6	0.10	63.8	0.6	0.10
<b>94</b>	<b>Mobilitetë, krevatat, dyshekët, jastek, llampat dhe pajisjet e ndriçimit, jo te specifikuar</b>	<b>503.8</b>	<b>3.5</b>	<b>1.15</b>	<b>740.81</b>	<b>5.28</b>	<b>1.56</b>	<b>699.0</b>	<b>5.7</b>	<b>1.29</b>	<b>866.4</b>	<b>8.4</b>	<b>1.39</b>	<b>866.5</b>	<b>8.7</b>	<b>1.32</b>
95	Lodrat, paisjet e lojrave dhe ato sportive dhe pjesët plotësuese të tyre	122.5	0.9	0.28	162.09	1.16	0.34	273.9	2.2	0.50	242.4	2.4	0.39	391.6	3.9	0.60
96	Artikuj të ndryshëm të prodhuar	110.7	0.8	0.25	50.88	0.36	0.11	70.8	0.6	0.13	112.4	1.1	0.18	149.9	1.5	0.23
97	Veprat e artit, copat e mbledhuranga koleksionet dhe antikant	17.4	<b>0.1</b>	0.04	4.37	0.03	0.01	3.7	<b>0.0</b>	0.01	19.6	<b>0.2</b>	0.03	5.0	<b>0.0</b>	0.01
	<b>Total-Eksport</b>	<b>43709.71</b>	<b>303.9</b>	<b>100</b>	<b>47491</b>	<b>338</b>	<b>100</b>	<b>54442.3</b>	<b>441.6</b>	<b>100</b>	<b>62331</b>	<b>602.2</b>	<b>100</b>	<b>65612</b>	<b>659.0</b>	<b>100</b>

## PESE PARTENERET KRYESORE NE EKSPORT NE VITET 1993 - 2006

VITET	PARTENERI I		PARTENERI II		PARTENERI III		PARTENERI IV		PARTENERI V		Te tjera
	SHTETET	ne %	SHTETET	ne %	SHTETET	ne %	SHTETET	ne %	SHTETET	ne %	ne %
<u>1993</u>	<u>Italia</u>	<u>41</u>	<u>Greqia</u>	<u>17.9</u>	<u>Maqedonia</u>	<u>11.4</u>	<u>Belgjik</u>	<u>6</u>	<u>Gjermani</u>	<u>4.3</u>	<u>19.4</u>
<u>1994</u>	<u>Italia</u>	<u>51.8</u>	<u>SH.B.Amerikes</u>	<u>11</u>	<u>Greqia</u>	<u>10.3</u>	<u>Maqedoni</u>	<u>4.7</u>	<u>Gjermani</u>	<u>4.7</u>	<u>17.5</u>
<u>1995</u>	<u>Italia</u>	<u>51.5</u>	<u>Greqia</u>	<u>9.9</u>	<u>Gjermania</u>	<u>6.1</u>	<u>Turqi</u>	<u>6.1</u>	<u>Belgjike</u>	<u>4.1</u>	<u>22.3</u>
<u>1996</u>	<u>Italia</u>	<u>57.9</u>	<u>Greqia</u>	<u>13</u>	<u>Gjermania</u>	<u>6.9</u>	<u>Turqi</u>	<u>3.1</u>	<u>Maqedoni</u>	<u>3.1</u>	<u>16.0</u>
<u>1997</u>	<u>Italia</u>	<u>49.4</u>	<u>Greqia</u>	<u>20.5</u>	<u>Gjermania</u>	<u>6.9</u>	<u>Hollande</u>	<u>5.6</u>	<u>Kroaci</u>	<u>4.2</u>	<u>13.4</u>
<u>1998</u>	<u>Italia</u>	<u>60.1</u>	<u>Greqia</u>	<u>19.8</u>	<u>Gjermania</u>	<u>5.7</u>	<u>SH.B.Amerikes</u>	<u>1.7</u>	<u>Austri</u>	<u>1.6</u>	<u>11.1</u>
<u>1999</u>	<u>Italia</u>	<u>69.5</u>	<u>Greqia</u>	<u>13.5</u>	<u>Gjermania</u>	<u>6.6</u>	<u>Austria</u>	<u>1.7</u>	<u>Hollande</u>	<u>1.4</u>	<u>7.3</u>
<u>2000</u>	<u>Italia</u>	<u>70.3</u>	<u>Greqia</u>	<u>13</u>	<u>Gjermania</u>	<u>6.61</u>	<u>Yugosllavia+Kosove</u>	<u>2.7</u>	<u>Danimarka</u>	<u>1.04</u>	<u>6.4</u>
<u>2001</u>	<u>Italia</u>	<u>71</u>	<u>Greqia</u>	<u>12.6</u>	<u>Gjermania</u>	<u>5.4</u>	<u>Yugosllavia+Kosove</u>	<u>3.1</u>	<u>Maqedoni</u>	<u>1.5</u>	<u>6.4</u>
<u>2002</u>	<u>Italia</u>	<u>72.4</u>	<u>Greqia</u>	<u>12.6</u>	<u>Gjermania</u>	<u>5.4</u>	<u>Yugosllavia+ Kosove</u>	<u>2.2</u>	<u>SH.B.Amerikes</u>	<u>1.6</u>	<u>5.8</u>
<u>2003</u>	<u>Italia</u>	<u>74.9</u>	<u>Greqia</u>	<u>12.8</u>	<u>Gjermania</u>	<u>3.4</u>	<u>Kosova</u>	<u>1.6</u>	<u>Austria</u>	<u>1.2</u>	<u>6.1</u>
<u>2004</u>	<u>Italia</u>	<u>73.2</u>	<u>Greqia</u>	<u>11.9</u>	<u>Kosova</u>	<u>4.6</u>	<u>Gjermania</u>	<u>3.1</u>	<u>Turqia</u>	<u>1.9</u>	<u>5.3</u>
<u>2005</u>	<u>Italia</u>	<u>72.6</u>	<u>Greqia</u>	<u>10.3</u>	<u>Kosova</u>	<u>4.1</u>	<u>Gjermania</u>	<u>3.3</u>	<u>Turqia</u>	<u>1.7</u>	<u>8.0</u>
<u>2006</u>	<u>Italia</u>	<u>72.8</u>	<u>Greqia</u>	<u>9.5</u>	<u>Kosova</u>	<u>3.8</u>	<u>Gjermania</u>	<u>3.2</u>	<u>Maqedoni</u>	<u>1.6</u>	<u>9.1</u>

## Production and Export Promotion Measures and Costs, 2007-2013

Group of measures	Specific actions	Responsible institutions	Monitoring indicators and expected impact	Timeframe	Projected cost Million lek
<b>A- Legislative measures:</b>	1. Development and harmonization of legislation and norms on the production and movement of export goods in line with EU, OECD, WTO, etc.	METE and other financial institutions	Development and adoption of laws and regulations in the Parliament and Government	By 2007.	Institutional current outlays
	2. Harmonization of the legislation on the manufacture, service and sale of all locally produced goods in line with EU, FAO, etc.	MAFCP / METE	Adoption of law and regulations in the Parliament and Government	By 2007.	Institutional current outlays
	3. Preparation of the legal framework on the establishment of institutions that will support businesses, including financial, quality insurance, certification and registration institutions.	METE / MAFCP / MJ	Adoption of law and regulations on institutions establishment in the Parliament and Government	By 2007.	Institutional current outlays.
<b>B-Institutional Measures</b>	1. Establishment and consolidation of institutions and inspectorates that enable the registration and certification of manufacturing entities and various businesses in Albania.	MAFCP/METE/MJ/MH/MPWTT and their subordinate agencies	Establishment of relevant institutions and structures, establishment of registries and websites, etc.	By 2007. 2007-2009	847
<b>C- Organizational, advisory, consultative,</b>	1. Improvement of the competitiveness of Albanian exporting companies through the organization of seminars and programs for the establishment of an effective marketing system and product quality management, ensuring that product comply with standards and norms that international markets require, the establishment of databases and information exchange with foreign markets, promotion of establishment of consultancy firms and agencies that provide assistance for businesses in the areas of organization, management, marketing, etc.	METE/MAFCP/MF and Albinvest	Establishment and operation of commercial information center (at Albinvest), various websites, seminars and brochures; implementation of the competitiveness fund scheme.	2007-onward	195

Group of measures	Specific actions	Responsible institutions	Monitoring indicators and expected impact	Timeframe	Projected cost Million lek
informational, marketing and infrastructural measures.	<p><b>2. Establishment of collection centers, which will manipulate, process, standardize, package, certify origin and distribute agriculture products in the retail domestic market and foreign markets.</b> About 50 such centers are planned to be established across the country on a regional basis</p>	MAFCP / METE	Establishment and operation	2008-2013	1800 (MAFCP )
	<p><b>Construction of slaughter facilities and treatment of animal and bird meat across the country, mainly in the rural areas.</b> (about 40 slaughter facilities across the country)</p>	MAFCP / METE	Establishment and operation	2008-2013	1800(MAFCP )
	<p><b>4</b> Establishment of an export center that will treat export products near the Port of Durres (the location will be in Xhaf-Zotaj). The center will process products and provide a series of additional services such as standardization, packaging, etc., giving products added value vis-à-vis international standards, and processing even small batches. This will be achieved by 2008.</p>	MAFCP / METE	Establishment and operation	2010	123(MAFCP )
	<p><b>5.</b> Establishment of the Albanian Export Credit Guarantee Fund</p>				

Measures and actions	Responsible institutions	Monitoring indicators	Timeframe	Projected cost in million LEK
Investment climate self-assessment	METE and responsible institutions	Investment reform index	2007-2013	0
Development and implementation of the legislation package on concessions	METE with WB/IFC assistance	Developed and implemented laws and regulations	2007	27
Identification of groups and countries where actions will be taken to improve the image of Albania, and definition of relevant activities (study)	METE, AlbInvest	Performed study	2007	4
Promotional activities in the area of improving the image of Albania	AlbInvest	Performed activities	2008-2013	172
Expedited privatization process	AlbInvest	Continuation of the process until its completion	2007-2009	0
- Promotional activities in such countries like Italy, Germany, Austria, etc., to promote the footwear and clothing industry, business services and construction materials.	AlbInvest	Performed activities	2007-2013	972
Identification of investment opportunities and markets in potential sectors such as electrical power, mining, oil and gas, agro-business and tourism (studies)	AlbInvest	Performed studies	2007-2008	6
Promotional activities in such sectors as electrical power, mining, oil and gas, agro-business and tourism	AlbInvest	Performed activities	2009-2013	160
Establishment of the industrial park in Koplik area	METE and the Association of Italian Investors AIIOA	Completed industrial park	2007-2011	8610
A project for increasing the communication and cooperation with the Albanian diaspora.	METE, AlbInvest	Implemented project	2008-2013	123

A project for training Albanian embassy staff on economic issues and issues related to investment in Albania.	METE, AlbInvest	Implemented project	2008-2010	62
A study on the possibility of opening two or three representation offices in countries with the greatest potential of foreign investment in Albania	METE, AlbInvest	Performed study	2008	6
Establishment of two or three representation offices in countries with the greatest potential of foreign investment in Albania.	METE, AlbInvest	Established offices	2009-2013	148

**ANEKS VII.**

	2006	2007	2008	2009	2010	2011	2012	2013	Total Costs million lek	Sources of funding
<b>SME Development</b>										
A. Establishment of an appropriate business climate for SME development	50	223	230	100	50	50	50	50	803	MCA,
B. Development of businesses with internationalization potential.	0	140	210	550	800	950	1000	1010	4,660	
C. Increase SME financing		200	800	1415	1327	1200	1278	1278	7,498	Italian Credit
D. Promote entrepreneurship culture		20	25	50	50	62	62	62	331	IPA
E. Improvement of access to foreign cross-border markets		25	30	50	50	50	50	50	305	
<b>Totali</b>	<b>50</b>	<b>608</b>	<b>1,295</b>	<b>2,165</b>	<b>2,277</b>	<b>2,312</b>	<b>2,440</b>	<b>2,450</b>	<b>13,597</b>	
<b>Exports</b>										
1. Establishment and consolidation of institutions and inspectorates that enable the registration and certification of manufacturing entities and various businesses in Albania. (Accreditation, standardization, metrology and calibration)		247	300	150	100	50			847	State Budget, donors, BERIS
2. Improvement of competitiveness of exporting companies through the use of competitiveness fund		25	25	25	30	30	30	30	195	State Budget, donors
3. Establishment of the Albanian Export Credit Guarantee Fund			150	150	200	200	200	200	1,100	State Budget, donors
<b>Total</b>	<b>0</b>	<b>272</b>	<b>475</b>	<b>325</b>	<b>330</b>	<b>280</b>	<b>230</b>	<b>230</b>	<b>2,142</b>	
<b>FDI</b>										

Promotional activities in the area of improving the image of Albania	20	50	60	65	65	70	70	70	470	State Budget
Promotional activities in such countries like Italy, Germany, Austria, etc., to promote the footwear and clothing industry, business services and construction materials, electrical power, mining, oil and gas, agro-business and tourism	16	40	48	56	59	60	60	60	399	State Budget
Establishment of the industrial park in Koplik area, Shkoder, Durres, etc		0	332	700	1400	1800	2100	2500	8,832	Privat, FDI
A project for increasing the communication and cooperation with the Albanian diaspora.		0	24	24	24	24	15	15	126	State Budget, donors
<b>Total</b>	<b>36</b>	<b>90</b>	<b>464</b>	<b>845</b>	<b>1548</b>	<b>1954</b>	<b>2245</b>	<b>2645</b>	<b>9,827</b>	
<b>Mining</b>										
1.Approximate legislation in response to EU integration and mining activity development	2	12	6						20	
2. Ensure institutional strengthening and human resources professional growth in response to increasing demand by the restructured mining industry in the context of sustainable development.	2	2	2	2	3	3	3	3	20	
3. Formulate and implement general policies for the promotion and rational use of natural resources and increasing mining reserves	8.5	41	45	51	33	22	22	22	245	
4. Implement effective control and supervision of mining activities at extraction and processing entities..	16	16	16	17	20	20	20	21	146	
5. Continuously monitor post mining activities. Ensure that mining activities respect the environment and the communities.	17	22	24	20	21	11	12	12	139	
<b>Total</b>	<b>45.5</b>	<b>93</b>	<b>93</b>	<b>90</b>	<b>77</b>	<b>56</b>	<b>57</b>	<b>58</b>	<b>569.5</b>	
<b>TOTAL</b>	<b>132</b>	<b>1,063</b>	<b>2,327</b>	<b>3,425</b>	<b>4,232</b>	<b>4,602</b>	<b>4,972</b>	<b>5,383</b>	<b>26,136</b>	