



TIRANA CHAMBER OF COMMERCE & INDUSTRY
LSE SU Albanian Society and Economics Society public lecture

Doing Business in South East Europe: What Albania Offers?

Date: Friday 6 March 2009
Time: 6:30-8pm
Venue: Hong Kong Theatre, Clement House
Speaker: Address of Tirana CCI **Prof. Gjoke ULDEDAJ**

Dear Dr. Schwandner,
Honorable organizers,
Ladies and Gentlemen,
Dear students and friends of Albania

I am very happy to be here with you and to address to this honorable audience under the direct care of the LSE Albanian Society and LSE Economics Society.

During my presentation I would like to outline the current situation of economic development in Albania and consider the impacts that the successful reforms, undertaken by the Albanian government, have had in improving the business climate in the country, and in doing so, making Albania an even more attractive place for Foreign Direct Investments (FDIs).

Additionally, I will also share with you the real chances and opportunities the Albanian economy offers for foreign investors, closing up with few words on Tirana Chamber of Commerce and Industry as an important institution, providing indispensable services to the Albanian as well as foreign businesses.

STRONG ECONOMIC POTENTIAL

When you see from an investor's point of view, where to allocate your investments, the first question that comes to your mind is: Why ALBANIA?

We do believe that Albania is the right destination in South Eastern Europe (SEE), because it has:

- A stable political situation which consists of low country risk.
- A highly growing economy at a steady pace, associated with a low rate of inflation.
- Strongly “pro-business” government, which during its mandate, clearly improved the business environment

- Additionally, Albania possesses a very favorable geographical position, making it very strategic and attractive.
- Our country is considered a land rich in natural resources.
- And last but not least, Albanian market offers relatively skilled human resources making it very competitive in the region.

In terms of the economic potentials, Albania is characterized by:

- **A Sound Macroeconomic Balance:**
 - With high & stable growth (*average 7 % annually during last decade*),
 - low inflation (between 2-4 % annually),
 - as well as low fiscal deficit and low public debt conform EU standards.
- **Strong commitment of pro-business government**, clearly expressed by the improved business climate and progressively increasing FDIs. These investments increased by 77% during 2007 reaching the total of 460 million €.
- Another important factor is the country's **Favorable Geographical Position**, which gives Albania the possibility to become crossroad between East-West & North-South international trade, as well as a potential gateway for the countries in the region.
- Albania has also **Skilled Human Resources**. More precisely, it is characterized by a young population, well educated, trained labor force and very competitive salaries in comparison with other countries in the region.
- Last but not least, Albania is very **Rich of Natural Advantages**, including tourism, maritime resources, minerals, oil & gas, hydro power, agriculture, etc.

STABLE POLITICAL SITUATION

In addition to the maturity of the political class in Albania, there are two very important moments which make Albania a very secure country for FDIs.:

1. **EU integration progress,**
2. **NATO membership**

Thus, Albanian government signed the Stabilization and Association Agreement with European Union on 12th June 2006. Likewise, an *Interim Agreement* for trade of products and services entered in force since 1 December 2006, while Albanian government clearly stated the commitment to apply for candidate status during 2009.

On the other hand, Albania was invited to NATO Bucharest Summit in 2008 and gained the candidate status. Along with Croatia, will become a full member by April 2009, during the Strasburg Summit.

FISCAL & LEGAL INCENTIVES

Albania implemented the most competitive fiscal system in the whole region offering numerous incentives for doing business.

Thus, starting from January 2008, a **10% flat tax** is in place on everything except for the VAT tax which with the pressure of the IMF, still remains 20%, but there are negotiations to reduce it in the near future. At the same time, business contribution for employees' social insurance is the lowest in the region, at level of 15%. All these aspects make the Albanian fiscal system really competitive in the region as far as Personal and Corporate Income Tax is concerned.

On the other hand, as part of the reforms, Albanian government undertook very serious steps to improve the business climate in the country. More concretely, we will mention:

- **Facilitated business registration procedures.** You can register your business in Albania in 1 day at “*One Stop Shop*”, with the symbolic cost of 1 euro. Business registration is already a service offered through a window, at Tirana Chamber of Commerce & Industry, since June 2008.
- **Facilitated licensing process.** On the attempt to obtain license for your activity in “*one-stop-shop*” at maximum 10 days, a reform is in process, expected to enter into force in May 2009.
- **Improved tax administration and revenue performance.** Nowadays Albanian businesses can pay their taxes *ON-LINE*.
- **Facilitated electronic procurement procedures for public tendering**, which reduced the bureaucracy and corruption.
- Strengthened regulatory institutions by introducing **E-Government** for full transparency
- Contemporary **concession law** to guide public-private partnership.

As far as foreign investors are directly concerned, it is worth mentioning that Albania applies:

- Equal treatment of domestic and foreign investors giving preferential protection to foreign investments,
- Tax Exemption for profit reinvested in Albania,
- Full profit and dividend repatriation,
- Bilateral Agreements (*Free Trade Area agreements*),
- Treaties to avoid double taxation etc.

It was due to these radical reforms and strict implementation that Albania was classified by World Bank in its “Doing Business 2009” Report, as the 2nd (second) top-reformer country in the

world, especially in terms of business start-ups, getting credit, protecting investors as well as paying taxes.

Following the same line of thought, based on the last evaluations of the IMF, Albania's real economic growth is strictly parallel with the average of the all South Eastern Europe countries, while inflation rate and external debt are far below the average of these countries.

Concurrently, Foreign Direct Investments towards Albania had an increasing trend during the last years reaching at the total of 465 million Euros in 2007. Considerations are that during the 2008 this figure reached the level of 600 million Euros.

FOREIGN TRADE

- Albania's foreign trade is dominated 1 to 4 in favor of imports.
- Main trade partners of Albania are European Union countries
- Foreign trade consists of 64% of the Albanian imports and 88% of the total exports.
- Main trade partners are Italy, Greece and Turkey, however during the last years China has increasingly become a strong partner.
- Albania imports from United Kingdom only 2% of its total imports.

WHERE TO INVEST IN ALBANIA

In the view of the above advantages we come to talk about investing. The most attractive sectors to allocate the investments in Albanian economy are:

- Energy Sector
- Industrial Zones
- Transport Sector
- Mining Sector, and
- Tourism Sector

ENERGY SECTOR

Albania is a country full of energy sources, therefore, this sector is considered as the most attractive one in the country's economy. More concretely:

- ☛ **Hydro Energy** – The major energy source used in Albania is hydro-power. Albania has a major hydropower potential of which only 35 % is being exploited so far. During the last

years, millions of Euros were invested in this sector mainly towards construction of micro-hydropower plants.

- **Oil & Gas Energy** – more than 50 million tone of crude oil and 10 billion m³ natural gas are produced. In 2008, the state owned company ARMO was privatized to an Albanian-American consortium which expects to increase the production.
- **Solar Energy** – Albania is considered a “sunny place” with a good solar energy regime with 300 days/year. However, despite the huge interest shown by foreign investors, no solar power plant has been built yet.
- **Wind Energy** – 3 companies already got the license in Albania to establish wind power plants. Other companies are studying the opportunities to enter the market.
- **Fuel Wood** – has a quite significant consumption especially in the countryside.
- **Bituminous Sands**: Albania is one of the richest countries with bituminous sands.
- **Geothermal Energy** – Albania is rich of thermal springs and wells, which represent a real potential for geothermal energy.

INDUSTRIAL ZONES

Albanian government decided to give high priority the development of the industrial zones as an important factor to push the economic growth at higher pace. Thus, 7 Industrial Zones identified in some of the biggest cities such as Durrës, Shkoder, Lezhe, Vlora, Elbasan. Feasibility studies for 3 zones are already completed in cooperation with GTZ and World Bank. The identified sites are Greenfield, with perfect vicinity to infrastructure, sea port and logistics.

The Durrës Industrial Park, the biggest industrial zone compounded by around 1400 ha planned to be built very near to the capital city Tirana, international airport and the Durrës port.

TRANSPORT SECTOR

Roads

Albania is taking part in the construction of the three major corridors of transportation. The major priority is the construction of the Durrës-Prishtina highway expected to be finished by 2009.

The second priority is the construction of European **corridor 8**, linking Albania with the Republic of Macedonia and Greece.

The third priority for the government is the construction of the North-South axis of the country; it is part of a larger regional highway connecting Croatia with Greece along the Adriatic and Ionian coasts.

By the end of the decade it is expected that the majority of these three corridors, which is estimated **759 km** will have been built.

Sea Ports

Albania has 4 ports all together.

Shengjin Port is situated in northwestern Albania. It is a hub for passenger traffic and goods transport for companies operating in Albania, Montenegro. This port is considered by Albanian government to be dedicated specifically to the Kosova's foreign trade with the west.

Durrës Port is an important link to Western Europe. It is the biggest port in Albania -- handling roughly 90 per cent of the country's international maritime trade tonnage, and 65 per cent of the country's total export and import trade.

Vlora Port is the closest in proximity to the port of Bari, Italy (130 km). It remains a major seaport and commercial centre, with a significant fishing and industrial sector.

Saranda Port is situated in the southern Albania, just few miles from the Greek island of Corfu. This port is more dedicated to touristic passengers. Saranda is rapidly developing into the southern gateway into Albania.

Civil Aviation

Albania has only one international airport terminal, which has been given to a German Concessionaire, since 2004, BOT Concession. A new modern terminal for 3 Million passengers/year, is foreseen up to 2024. The total number of passengers reached **2 million** during 2008.

There are 7 other civilian and military airports located allover Albania. Kukes airport was opened in early 2008, making this the second civilian airport in Albania. The Gjirokastra airport would be dual functional, both a civilian and military airport. Two feasibility studies have been conducted for airports in Vlora and Korca. The plan for Saranda airport was already completed and investors have been identified for the reconstruction.

MINING SECTOR

Albania is very rich in natural resources such as groundwater resources, carbonate minerals, industrial minerals, mineral rocks, sedimentary industrial minerals, chromites etc.

It is worth mentioning that Albania is the country with the highest level of chromium reserves in Europe. Chromium mines are given by concession to Italian DARFO Company for a period of 30 years.

Coal and Nickel mines are also privatized, while 3 largest copper mines are being operated through a 30 year concession contract by a Turkish company: Ber-Oner.

TOURISM SECTOR

Albanian government has placed tourism as one of the top priorities. As a result of supportive efforts made, over 2 million tourists or 8 times more than previous years visited Albania until September 2008.

On the other hand, development of the tourism sector, made Albanian real estate sector one of the most “hot” markets in Western Balkans, attracting the interest of investors from United Kingdom to Russia.

In terms of tourism assets, we are proud to say that Albania has a very rich natural and cultural heritage, such as:

- **Coastal Tourism** - The Albanian Riviera is one of the most beautiful places of the Mediterranean with almost non exploited tourist potential.
- **Mountain & Rural Tourism** – very rich of mountains and characteristic villages.
- **Cultural Tourism** – with around 2000 archaeological/historical sites (*castles and fortresses, religious monuments and vernacular architecture*) art galleries etc.
- **Flora & Fauna** – with great variety of plants and a number of rare birds and animals.
- **Outdoor Activities** – with excellent sites for outdoor sports and activities.

ALBANIAN BUSINESS *versus* TIRANA CHAMBER OF COMMERCE & INDUSTRY

BUSINESS KEY FIGURES

Nowadays in Albania there are about 85 000 active businesses. We notice that 99.5% of these companies are established with private capital. Only a fraction of these companies are state owned ones.

These private businesses give about 85% of the GDP and employ about 75% of the total working force, making the business community the driving force for the economic development in the country. Majority of the private companies are either with domestic or foreign capital owned. Only 1% of them are joint-ventures.

According to the structure of the GDP of Albania, the service sector (which includes: trade, transport, communication and other services) contributes around 55% of the GDP. Agriculture gives about 21 % of the GDP, followed by construction 14% and manufacture 10 %.

TIRANA CHAMBER OF COMMERCE & INDUSTRY

The Chamber of Commerce and Industry of Tirana has an almost 150 year old history. Nowadays CCI represents the biggest business institution in Albania and works closely with the groups of interest to lobby on behalf of business community interests.

The Chamber is a juridical subject of public right, independent and non-for profit entity. The activity of chambers in Albania is regulated by a special law, while since 2008 the membership is on voluntary basis.

There are currently more than 2500 businesses varying from small, medium and big businesses who are members of our Chamber. They represent a very important part of the private businesses in Albania.

If we have a look at the membership of our Chamber, according to the economical groups, we notice that most of the businesses come from the trade sector with 57%, construction 17%, manufacturing 15%, services 8% and transport 3%.

Main services of Tirana CCI are:

- Business Information & Consulting;
- Business Promoting and International Relations;
- Fairs & Exhibitions;
- Executive Services and Company Registration;
- Trainings and Industrial Property Protection.

In the field of publications our chamber delivers the following publications:

- “The Business Guide”
- “Directory of Exporters”
- “Calendar of Fairs and Exhibitions”
- “CCI Profile”
- The weekly newspaper “Pro-Business”
- And the monthly magazine “Pro-Business”

The information that we deliver to the business community includes: Contact Addresses, Business Opportunities, Events, Legislation, etc.

This information is given through: Our official website: www.cci.al. The website is conceptualised in a way that it will create the basis for the Chamber's future activity. It represents the new mentality. It aims to make its services easier and reachable for the beneficiaries. The objective is to increase exponentially the quality and the quantity of the standardized services, making them user friendly.

- Online Database
- All available information online
- Online membership
- Overseas Membership
- Matchmaking
- Offers- Requests (Trade, Employment, Internship, etc.)
- Application for fair participation
- Application for “Note Verbale”
- Application for “Certificate of Origin”
- Application for Trademark and /or Patent
- Online Publications (latest news & “soft” version of publications)
- Practical data, necessary links, online forum, advertising, etc.

Dear Ladies and Gentlemen,

I am confident that we are all grateful to the organizers for this event, and others to follow, at your prestigious school, would further increase the interest of big investors towards a “hot” potential zone for investments, as South East Europe is.

I remain with the hope that, by now you have a clearer image about business in Albania. Therefore I would like to take the opportunity and assure you that Tirana Chamber of Commerce and Industry welcomes foreign investors in Albania.

Our message is clear: **Now it's the right time to invest in Albania...**

Thank you!