

April  
2010

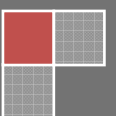
# ASSESSMENT

of the possibilities for replication of  
the Foreign Market Entry System Models in the countries in the  
Balkan Region

Replication of the Office Business Center (OBC) Pilot Model

**Assessment Team:**

*Jovan Madjovski*  
*Elica Aleksova*  
*Elena Angelovska*  
*Ahmet Rushiti*



## CONTENT

1. Executive Summary
2. Methodology
3. Kosovo Integrated Market Entry System (KIMES) Project
  - 3.1. About the Project
  - 3.2. Project Activities
  - 3.3. Project participants
  - 3.4. Project and company results
  - 3.5. Lessons learned
4. Possibilities for replication of the Office Business Center Kosovo (OBCK) model in Albania
  - 4.1. Socio-economic background
  - 4.2. Opportunities for Doing business in Albania
    - 4.2.1. Governmental, institutional and donor community activities
    - 4.2.2. Promotion and protection of foreign investments in Albania
    - 4.2.3. Fastest growing industries in Albania
  - 4.3. Recommendations for replication of the OBCK Model in Albania
5. Possibilities for replication of the OBCK model in other countries in the Balkan region
  - 5.1. Macedonia
  - 5.2. Bosnia and Herzegovina
  - 5.3. Serbia
6. Presence of international/donor organizations in Albania - opportunities for funding projects
7. Donor support /stakeholders engagement

Resources

Annexes

## 1. Executive Summary

The Integrated Foreign Market Entry System models represent cost and time effective alternative for companies to explore new markets for their respective products and/or services. Especially for the smaller companies, this model offers a perfect base from which they can get their operations off to a running start.

The idea of the assessment was to systemize the lessons learned and knowledge gained through the implementation of the Kosovo Integrated Market Entry System (KIMES) project and use it as a starting point for replication of this Foreign Market Entry System model in the other countries in the region, such as Albania, Macedonia, Bosnia and Serbia and explore the possibility to develop a network of business support centers throughout the region.

The KIMES project was implemented by CEED Macedonia and co-financed by USAID Macedonia Competitiveness Project, CEED Macedonia and the private sector participants in the period April 2009 - March 2010 with main objective to enhance the ability of the Macedonian companies to quickly integrate into the Kosovo and other regional and global markets, thus increasing the export of Macedonian products and services.

The assessment was conducted by interviews and discussions with the key stakeholders in the implementation of the KIMES project and its participants - representatives from the Macedonian companies, as well as by desk reviews and field analysis of the current business climate in Albania and possibilities for establishing an Office Business Center in Tirana.

In its first part, the assessment provides information on the KIMES project and its advantages for the Macedonian companies. It gives the CEED Macedonia's experience in most significant activities undertaken while managing the project and establishing an Office Business Centre (OBC) in Kosovo that supports Macedonian companies in their efforts to enter Kosovo market. You can find here the remarks of the discussions with the OBC clients as well, lessons learnt, most effective way of conducting tasks when dealing with the OBC personnel and donors' support.

Second part of the assessment provides information on government and institutional economic activities in Albania, donor and international organization presence, fastest growing industries, business centers in Albania, labor market and employment challenges as well as state support for foreign investments.

The third part gives prospect of the OBC establishment in Macedonia for the support of the Kosovo and Albanian companies. In this case CEED Macedonia can provide logistics, space, staff expertise and its network of companies for establishing partnerships.

The following is the part with the arguments on why the KIMES model is replicable in other countries such as Serbia and Bosnia and Herzegovina and what to do to improve the process and provide higher quality services.

There are several main findings from the conducted assessment:

### Future steps:

- Trilateral system of centers providing services for the companies from Kosovo, Macedonia and Albania will increase regional economic cooperation and trade among these 3 countries
- Replicating the OBCK pilot model in Albania with following adaptations:
  - OBC Albania (OBC-A) should start with smaller space because of the 8-12 month preparation period of the companies that enter foreign market
  - OBC Albania should have focused approach in terms of industries supported and represented
  - OBC Albania employees should be trained and more heavily engaged in pre-sales activities
  - OBC Albania should conduct market researches and analysis for particular industries in Albania that will benefit all clients coming from these industries
  - OBC Albania should outsource specialized professionals in different areas and local consultants for providing market analysis for the specific sectors
  - OBC Albania should develop a Handbook on “How to do business in Albania”, as it was for companies entering Kosovo market
  - OBC Albania should immediately develop data bases of companies from different industries
  - OBC Albania should networking through membership in various trade unions, chambers and associations
  - OBC Albania should be flexible and develop services based on the client’s needs
  - OBC Albania should investigate the impact of the larger Italian and Greek business presence in Albania as well as the brand awareness among Albanian citizens about the quality of the products coming from those two countries
  - OBC Albania should invest in constant promotion on the Albanian market
- CEED Macedonia should establish and manage OBC in Macedonia to serve Kosovo and Albania companies and later companies from Bosnia and Herzegovina and Serbia
- The model should be replicated in Bosnia and Herzegovina and Serbia.

### Lessons learned from the operation of OBC Kosovo Pilot:

- OBC Pilot Model turned out to be a successful model for public-private partnership since it is co-financed by the donor community and by the private sector
- Companies involved in the KIMES project find the model appropriate for their performance on Kosovo market, therefore they are inclined to use other OBCs that will be open throughout the region
- OBC services are more suitable for micro, small and medium companies
- The first 6-12 months of operating should be considered as a “preparatory phase” thus a 2 year funding should be secured before starting a new OBC

- OBC employees should be trained and more heavily engaged in pre-sales activities
- OBC offices should be located in the center of the city, and need to be representative and modern to supplement the first impression and image of the companies when searching for potential local partners
- More utilize the unique opportunity for exchange of experiences, exchange of information and data, as well as joint use of databases and contacts of potential clients by organizing monthly meetings among managers part of the OBC
- Most used packages of services provided by the OBCK were the Standard Package and package Find a partner.
- There is a need for more market researches and analysis for particular industries
- Provided information documents, operational and implementation templates by OBC staff were very useful
- The basic knowledge on the legislative frame as well as engaging a local legal expert in dealing with such procedures is the right way for providing initial legal support
- Support in the recruitment and pre-selection of employees for the companies (internally and by providing contacts with recruitment agencies) is needed and is of crucial importance for the companies that want to hire their local staff in the new market
- Organized linkages with the Macedonian Ambassador in Kosovo should be strengthened and replicated in all other OBC locations.

This assessment shows that several stakeholders should be included in establishment of such centers throughout the region. Besides CEED Macedonia, governments from all countries should be supportive and willing to expand their economic cooperation through this model. This kind of cooperation will lead to further regional development especially when 5 countries from the Balkan region are included: Macedonia, Albania, Kosovo, Serbia and Bosnia and Herzegovina. Donors' support as well is of great importance in order to initiate the establishment for the first and second year, at which stage OBC model can reach the break even point.

## **2. Methodology**

We have used the following methodology for conducting this assessment:

- Individual meetings, interviews and discussions with the key stakeholders in the implementation of the KIMES project and its participants - representatives from the Macedonian companies
- Desk research and analyses on the economic situation and services provided in Albania for the companies that want to enter the market
- Field analysis of the current business climate in Albania and possibilities for establishing an Office Business Center in Tirana.

In Macedonia we have interviewed 15 companies-current or future clients of OBCK and met the Director of the Foreign Investment and Export Promotion Agency.

In Kosovo we have conducted interviews with the current OBCK staff and their views, lessons learned and recommendations for replicating the pilot model and we met the Macedonian Ambassador in Kosovo.

In Albania (we conducted one field trip to Albania), we met 9 potential stakeholders/donors/supporters and requested office prices from two business towers in Tirana. We also met one owner of a Macedonian company that is actually leading its branch in Tirana (and lives there for 6 months).

### **3. Kosovo Integrated Market Entry System (KIMES) Pilot Project**

#### **3.1. About the Pilot Project**

Kosovo Integrated Market Entry System (KIMES) was a pilot project implemented by the Center for Entrepreneurship and Executive Development - CEED Macedonia in the period April 2009 - March 2010 and co-financed by the USAID Macedonia Competitiveness Project. This project has provided the Macedonian companies that are ready to explore and expand to the Kosovo market with cost and time effective solution for successful start of business operations.

Even though the project was implemented in period of financial crisis and during year that was extremely difficult for the Macedonian companies from financial point of view, through the undertaken project activities CEED Macedonia has managed to create a sustainable export supporting model that with certain modifications can be easily replicated in the region adjusted to the specific circumstances of the country.

The main objective of the KIMES pilot project was to boost up the growth of the Macedonian companies by supporting their regional expansion and exporting activities in Kosovo, thus becoming a role model for future export support for other countries.

The pilot project had three components.

**Component 1. Office Business Center Kosovo (OBCK)** which offers the Macedonian companies participants in the project opportunities for joint use of fully furnished and technically equipped office space in the center of Prishtina, administrative support and consulting services from local employees, as well as use of "Virtual Office Services".

**Component 2. Training and in-company consulting services** for building awareness about the advantages and challenges of starting and growing a business in Kosovo, as well as gaining business and managerial skills for developing and managing a business from a distance.

**Component 3. Creation of pipeline of Macedonian companies** ready to expand to the Kosovo market and delivery of training and consulting services to enable their successful and timely start of business operations in Kosovo.

This unique export supporting project that was implemented in Macedonia and in the region for the first time has set up a strong base for promotion and expansion of use of services and products offered by Macedonian companies in Kosovo. By achieving 90% cost recovery ratio in the first year of implementation, this pilot project offers great and sustainable model that can be easily replicated in the other countries in the region that are of interest for the Macedonian companies.

### 3.2. Project Activities

The implementation of this one-year pilot project included several types of activities undertaken both in Macedonia and Kosovo:

- **Establishment of local Kosovo legal entity** Office Business Center Kosovo (OBCK) LLC Prishtina solely owned by CEED Macedonia,
- **Search, renovation and furnishing of suitable office premises for the OBCK.** The selected OBCK office space of 200m<sup>2</sup> which is in the center of Prishtina offers:
  - one large open office (ocean) suitable to fit 12 working stations (including office L-shape desks -one large desk, one smaller computer desk, drawer cabinet, chair and telephone) and joint office cabinets,
  - one large conference room,
  - one small meeting room,
  - two separate offices,
  - kitchen area,
  - reception area and area for promotional materials.
- **Recruitment and hiring local Kosovo staff to run the OBCK and provide services to the Macedonian companies** participating in the project:
  - Business Development Advisor (BDA) (1 position) to: provide advisory and consulting services on how to run a business in Kosovo, gain access to potential strategic local partners, facilitate contacts with local service professionals and experts, etc.,
  - Client and Office Manager (1 position) to: manage the office, provide administrative and consulting support, conduct analysis and information search, etc.,
  - Intern (1 position) to: assist in secretarial and administrative activities, provide translation services, do internet and print media research and clippings, etc.,
- **Drafting a Handbook on “How to start and grow a business in Kosovo”** covering topics on why and how to expand your business internationally and including practical information like the Trade and Customs regime in Kosovo, Taxation in the country, the level of development of the financial sector in the country and available sources of financing/funding for the businesses in Kosovo, the situation with the Kosovo labor market and media market, how to register a company in Kosovo, how to search for local partners etc.,
- **Organizing a half-day workshop on “How to start and grow a business in Kosovo”** aimed for representatives from the Macedonian companies participating in the project,
- **In-company consultancy** and continuous monthly coordination meetings between the representatives of the Macedonia companies participating in the project, OBCK and CEED Macedonia staff,
- **Design of 5 types of different Packages of Services provided by the OBCK:**
  1. Premium Package (use of own furnished and equipped office, unlimited use of meeting facilities, administrative services, consultancy services, presence in the OBCK promotional materials and web),
  2. Standard Package (use of one workstation within the joint office, unlimited use of meeting facilities, administrative services, consultancy services, presence in the OBCK promotional materials and web),
  3. Package Operational Support (partial use of the meeting facilities, administrative services, consultancy services, presence in the OBCK promotional materials and web),

4. Package Finding a partner in Kosovo (identification of 3-5 potential local partners, small market analysis, scheduling meetings and use of the OBCK meeting facilities),
  5. Ad-hock/one-time services upon request.
- **Systemizing of information, drafting templates and documents to facilitate the entrance of the Macedonian companies on the Kosovo market and organize their participation in the KIMES project:**
    - OBCK Operational Manual and Guidelines
    - Process of establishment of legal entity in Kosovo
    - Taxation in Kosovo
    - Offers and service packages
    - Translation services process
    - Offers and mailing information in Albanian and English
    - Development review template
    - Hiring process through OBC
    - Companies Concept Note template
    - Company info template
    - Company Action Plan template
    - Databases of local companies form particular industries
    - How to reach OBCK from Macedonia
    - Kosovo official holidays
    - List of Fairs in Kosovo
  - **Continuous promotional activities** of the OBCK and provided services that included:
    - presentations on the training and networking learning events and B2B events organized by CEED Macedonia,
    - holding one-on-one information and consulting meetings with interested potential participants in the project,
    - sending mass mail with information on the project and services provided by the OBCK,
    - publishing article on the OBCK in the e-newsletter of the Union of Chamber of Commerce of Macedonia,
    - publishing articles in the Macedonian daily newspapers “Dnevnik” and “Biznis”,
    - positioning banner in one of the most visited on-line media “Zurnal” that covers information from Macedonia, Kosovo and Albania,
    - organizing promotional event in the OBCK premises with attendance of around 60 Macedonian and Kosovo companies, where the Macedonian Ambassador in Kosovo in its address expressed full support and cooperation with the center and Macedonian companies operating in Kosovo,
  - **Designing and printing a three lingual (Macedonian, Albanian, English) brochure** with information about the Office Business Center Kosovo in Pristina, offered services and Macedonian companies that are operating in Kosovo by using OBCK support,
  - **Continuous capacity building of the employees in the OBCK** by providing on-going support and advice from the CEED Macedonia staff and **organizing trainings** in: conducting small market analysis, providing simple business plan for the companies, guiding them through the action steps and finding a partner for them,
  - **Continuous further development and diversification of the offered services and available documents and templates** in the OBCK based on the interests and needs of the clients.

### 3.3. Project participants

In the first year of the implementation of the KIMES pilot project had three stakeholders:

1. Macedonian companies
2. CEED Macedonia
3. USAID Macedonia Competitiveness Project

Participants in the KIMES project were 11 Macedonian companies, manly SMEs coming from different industries:

1. Soloprom Skopje
2. Datalab Skopje
3. Vrabotuvanje.com Skopje
4. Biotek Skopje
5. Nextsense Skopje
6. S&T Macedonia
7. Zurnal Skopje
8. Event Management System
9. Mens Legis Skopje
10. R3 Infomedia Skopje
11. Mikprom Skopje

The structure of the participants based on their size and industry/business activity is presented below:

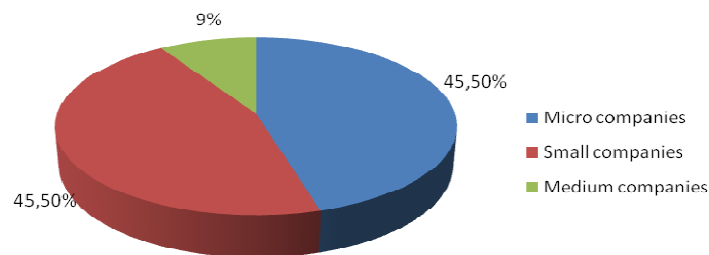


Chart 1. - Structure of the participants in the KIMES project according to the size

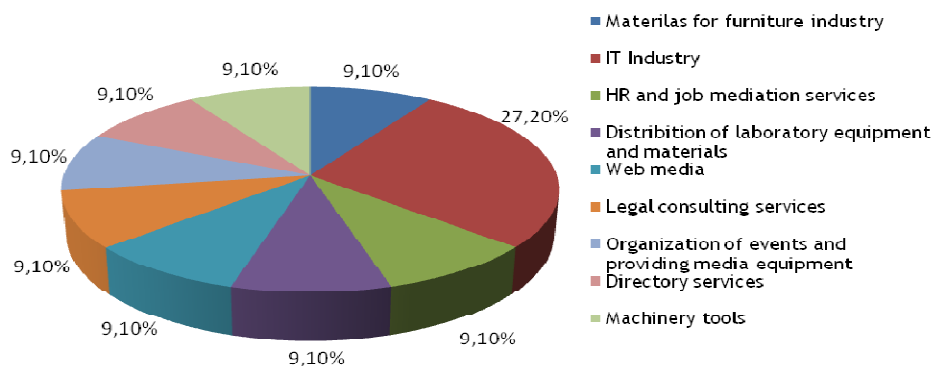


Chart 2. - Structure of the participants in the KIMES project according to the industry

### 3.4. Project and company results

Main KIMES Pilot Project results in the first year of its implementation were:

- **Establishment of sustainable, fully furnished, equipped and modern Office Business Center Kosovo that is managed by two local professionals trained and experienced to provide administrative, consulting and business development services for 12 Macedonian companies using the Premium and Standard package of services and at least 15 other companies at a time using the other services like find a partner and “virtual office”,**
- **The support offered by the OBCK was the determining factor for even 70% of the participants in the KIMES project to start operations in Kosovo in 2009 even though this year was extremely difficult for the Macedonian businesses,**
- **Raised awareness with the Macedonian companies about the importance of internalization,**
- **As a result of the services provided in the OBCK, 3 of the Macedonian companies participating in the KIMES project have set up a base for opening own offices in Pristina,**
- **Improvement of management practices in 11 Macedonian companies that have participated in the project,**
- **Creation of 8 new full time jobs (5 male, 3 female) and 3 part-time jobs in the Macedonian companies that have participated in this one-year project and setting up a solid base for further job creation within the companies that are continuing to use the OBCK services after the ending of the KIMES project,**
- **Increase of the exporting activities and revenues gained through business activities in Kosovo of even 250% and 350% respectively in two of the companies participating in the KIMES project during its implementation period,**
- **Concluded business deals and won tendering procedures by the participants in this project resulted in reported increase of their exporting activities in value of approximately \$ 193,500, which would have been even higher considering the fact that they had only 8 active months of available services and usage of office space in Kosovo. Companies’ projections for the next year are to have exporting activities in value of at least \$ 400,000 in Kosovo, having in mind that they have passed their active on-the-ground preparation period and started positioning their products and/or services on the market.**
- **Creation of pipeline of 5-10 Macedonian companies that are ready to start/continue operations on the Kosovo market by using the services of the OBCK as of April 2010 and/or in 6-12 months.**

Main business results of the Macedonian companies participating in the KIMES project were:

- **Winning of Government tender for E-Parliament in Kosovo.**  
One of the main tasks of the OBCK staff was to inform regularly, 3 times a week, within an e-newsletter all the clients on the tenders, bids and announcements published in all Kosovo newspapers and other media, such as main governmental site where all tender announcements are published. This frequent activity provided companies with regular information on when and what kinds of tenders and other bids are taking place.
- **HR services for Raiffeisen Bank Kosovo and first HR services in Kosovo increasing their export for 250% in 2009.**  
OBCK support consisted of conducting everyday communication with the local network of people, newspapers and their bid offers, internet sites, administrative support etc. to the company that was dealing with HR services. OBCK employees

acted as a connection between the Macedonian headquarters and the Kosovo clients.

- International IT company used Macedonia as a hub for market entry in Kosovo. An international IT company found as most suitable their presence in Kosovo to be through the OBCK that will maximise their cost-effectiveness and at the same time will make use of the local employees. OBCK acted as their base for contacts, project and establishment of legal entity.
- Legal company created a partnership and established a local presence in Kosovo with ambitions to implement several large infrastructure tenders in Kosovo. OBCK was involved in the company's preparations for tendering procedure, finding a strategic partner in Kosovo as well as establishing a legal entity through which further work of the company will be executed.
- Another regional IT company used Macedonia as hub to enter to Kosovo market and increased their sales in Kosovo for 350%. This company benefited mostly of finding a partner service as well as other local infrastructure provided by OBCK. Communication channels were of main use for this company, added with the usage of premises for meetings and promotion done through OBCK promotional activities.
- Media portal opened their arm in Kosovo and started attracting marketing income from the portal. A media that covers Kosovo, Macedonia and Albania decided to use OBCK as a base having in mind data and information gathered, networks developed and companies involved. The added value of having communication within a centre encompassing many companies was of the great importance for this media.

### 3.5. Lessons learned from the OBC Kosovo Pilot

Even though the KIMES project was implemented during a period that was extremely difficult for the Macedonian companies due to the financial crisis, the uniqueness of the services and support provided by the OBCK was recognized by 11 Macedonian companies from several different industries/business activities that have used different types of services offered by the OBCK, based on their type of business, previous presence and knowledge of the market, interests and potentials for further growth.

The lessons learned by all stakeholders actively involved in the implementation of the first year of the KIMES project, i.e. CEED Macedonia, OBCK staff and Macedonian companies that started operations in Kosovo by using the OBCK support can be summarized as follows:

- **The KIMES project activities and services provided by the OBCK are more suitable for micro, small and medium companies.** Over 90% of the Macedonian companies using the services of the OBCK in the first year were SMEs. The SMEs group is dominating in the pipeline of companies ready to enter the Kosovo market in next 6-12 months.
- **The first 6-12 months of operating in Kosovo for most of the Macedonian companies participating in the KIMES project should be considered as a “preparatory phase” for the companies.** It can be considered only as active on-the-ground preparation period and they expect the results of their business activities in Kosovo in the upcoming year. **The “incubation” and consulting services provided by the OBCK are most suitable for the companies that are in phase of exploring the new market, adjusting own products and services and staffing.**

- Due to this, most of the companies participating in the KIMES project in this first year of implementation were not ready to establish local Kosovo legal entity and to hire local staff. The ones that have done so were companies that either have previous experience in working at this market and have passed the “preparation phase”, or have products that need support in exporting procedures from a local company.
- As they were not ready to hire local staff in the first 6-12 months, some of the participants in the project suggested further development and diversification of the offered services in the OBCK. One of the proposed services was using the OBCK employees for pre-sales activities, which will require their further training and specializing in particular industries/business activities, or engaging sales professionals.
- All of the companies using the services of the OBCK confirmed the importance of having the OBCK office located in the center of the city, near most of the business, administration and governmental institutions, as well as the importance of having representative and modern premises to supplement the first impression and image of the Macedonian company when searching for potential local partners.
- All of the participant in the KIMES project stated that it offers them unique opportunity for exchange of experiences about the on-the ground activities on the new market, exchange of information and data, as well as joint use of databases and contacts of potential clients.
- Most used packages of services provided by the OBCK were the Standard Package and package Find a partner. The companies that were exploring the Kosovo market for the first time found the *Find a partner package* most useful one as it includes small market analysis that will help them to prepare good Business plan and to better position themselves on the Kosovo market. In addition to this, some of them suggested that production of market researches and analysis for particular industries in Kosovo (for example, IT industry, textile industry, food industry, tourism, light manufacturing, etc.) would have great impact in improving the readiness of the Macedonian companies and their management teams to start offering their products and services to the Kosovo market.
- All users of the OBCK services confirmed that they find very useful provided information documents, operational and implementation templates and that these enabled them to better prepare their business operations in Kosovo.
- Even though Kosovo is one of the region’s poorest countries with a GDP dwarfed by those of its neighbors, participants in the KIMES project consider that it offers great opportunities for their own products/services and business potential for all Macedonian companies in general. A modern legal framework has been constructed, liberal market policies have been implemented, a sound banking sector has developed, and progressive government institutions have been built. Yet, economic growth has remained slow, bolstered mostly by international aid and remittances from the Diaspora which together are currently estimated to account for 30% GDP. In 2004, it was estimated that nearly half of economic activity in Kosovo occurs within the informal sector, a factor which may well explain low official participation rates.<sup>1</sup>
- In general Kosovo organizations, agencies, chambers, NGOs and business sector are open for cooperation. As Kosovo is a small market and willing to catch up with European economic flows, these entities are willing to establish partnerships in and outside the country. Finding local partner usually takes several months which

---

<sup>1</sup> Labor market country profiles Europe and Eurasia - USAID- RCI, April 2009

is connected with the analysis done by OBCK prior to the approach of concrete company, agency, institution etc.

- Kosovo legislation is not completely in line with the European and different legislations from the region, thus creating longer procedures in undertaking legal activities in communication with state institutions and private sector entities. **Dealing at the Kosovo market assumes basic knowledge on the legislative frame as well as engaging a local legal expert in dealing with such procedures.** Such basic information on the legislative frame are included in the **info documents drafted by OBCK** (for example, How to establish a legal entity in Kosovo) and **pool of legal experts** to assist the Macedonian companies is composed.
- Kosovo is characterized by a young and well educated workforce, but **qualified and skilled workforce in Kosovo is more expensive compared to the Macedonian one.** Some of the Macedonian companies participating in the KIMES project reported that they faced some challenges in finding skilled and qualified staff ready to accept to be engaged for the monthly wages originally planned by the Macedonian companies. Heavy presence of the international community in Kosovo provoked increased range of salary expectations especially from young bilingual/trilingual people with computer literacy and experienced working in international environment. **KIMES project offers unique temporary solution for this problem** having in mind it employs 2 local people serving several companies in companies' operational, administrative and consultancy needs. Professional agencies in providing with local staff can be of great use when reaching specialists, technical personnel and other specific job positions.
- The **OBCK in Prishtina and started activities were welcomed by the Macedonian Ambassador** who expressed sincere support and willingness to help in further expanding of its activities in Kosovo as the **OBCK concept is in line with the governmental policies for export promotion** and very likely would receive their political and financial support.
- **The Macedonian and Kosovo Government have started series of activities to improve the business cooperation between the two countries** by simplifying the export/import procedures, customs and tax regulations etc. Recently signed Agreement for avoiding double taxation provides opportunities for further increase of exporting activities of the Macedonian companies to the Kosovo market.
- **OBCK is a model that is suitable for companies not only from Macedonia but for companies from other countries as well, having on mind similar economic environments and economic ties between the countries from the region.** Even more, these markets are so close that the most logical prospect would be that such centers might serve to companies from the region rather than to companies only from one country (Macedonia, Kosovo, Albania, Serbia, and Bosnia and Herzegovina). That will encompass regional knowledge, will strengthen regional networks and support regional development.

#### 4. Possibilities for replication of the OBCK model in Albania

All of the participants in the KIMES project that have plans for future expansion to the Albanian market have expressed their belief that the KIMES model with certain adjustments can be replicated in Albania as well. They have expressed interest to use the services of such Office Business Center in Albania in the initial phase of their debut on the Albanian market. Based on the shown interest from the Macedonian companies, in the upcoming period CEED Macedonia is planning to start with preparations for establishment Office Business Center Albania first by contacting other interested stakeholders like the Macedonian Government and international donor organizations both in Macedonia and

Albania. Recent announcement of the Macedonian government for expansion of the competences of the Macedonian Agency for Foreign investments and promotion of exporting activities of the Macedonian companies with support from the donor organizations in Macedonia, opening a window of opportunity for USAID to support this project. Recent contacts made with representatives from the business community and international donor community present in Kosovo show potential interest from their side for participation in such trilateral project.

#### 4.1. Socio-economic background

Republic of Albania average rate of economic growth is over 5 percent since 2003. The country has a very young population, the average age of 31.7 years old, with children and young people about 46 percent of the population. The balance between urban and rural population was affected by transition to a market economy and the free movement of people. In 2004, the urban population grew to 45 percent from 35.8 percent in 1989.

##### **Key National Data: Albania<sup>2</sup>**

|  |              |
|--|--------------|
| <b>Total population (m, 2007)</b>  | <b>3.2</b>   |
| <b>Population growth rate % per annum (2007)</b>                           | <b>0.3%</b>  |
| <b>Urban population (share of total, %, 2006)</b>                          | <b>45%</b>   |
| <b>Gross Domestic Product (\$ bn, 2008 IMF est)</b>                        | <b>13.5</b>  |
| <b>GDP per capita (\$, 2008 / \$PPP, 2008) IMF est.)</b>                   | <b>4,247</b> |
| <b>GDP growth rate (2008 IMF est., % p.a.)</b>                             | <b>6.1%</b>  |
| <b>Inflation rate (2008IMF est., % p.a.)</b>                               | <b>4%*</b>   |
| <b>Unemployment rate *Registered Unemployment, Bank of Albania (2007)</b>  | <b>13.2%</b> |
| <b>Percent of Population living under the national poverty line (2005)</b> | <b>18.5%</b> |
| <b>FDI (in bln EUR, 2007)</b>  | <b>0.48</b>  |

Albania's working population of slightly fewer than two million has a median age that is young by European standards, just 29 years compared to 40 years in Italy. A high proportion of under-40s speak two languages, many of them after returning from studying and/or working abroad. The current unemployment rate of approximately 13% shows that there is no complacency in the job market while the number of students in social sciences, business, and law accounts for more than one-third of all those in higher education.

Albanian ethnic group composes 95% of the population, while minorities of Greeks, Roma, Valch, Serbians, Macedonians, Bulgarians leave in the country. 1.09 million people represent labor force in Albania, a figure that does not include 352,000 emigrant workers.

According to existing laws in Albania, education is compulsory from ages 6 to 15. After 9 years students may continue one of two basic type of secondary school: comprehensive (general) and technical/vocational. In recent years, number of students in all levels of education has increased continuously. Majority of students who finish primary school continue with secondary school and 74% of those who finish high school undertake their undergraduate studies. There are currently 11 public and 15 private institutions of higher education in Albania. According to Ministry of Education from 55 000 to 60 000 students are enrolled each year at University. Number of professional students enrolled in professional and technical education has increased with 30% compared to previous years, and most of them have graduated in technical subject such as engineering, food technology, chemistry, physics etc.

<sup>2</sup> *Labor market country profiles Europe and Eurasia – USAID- RCI, April 2009*

According to Instat number of unemployment in 2007 was something above 140 000 people. Among the long term registered unemployed population about 55% have up to 8 years of education, 44% have a secondary education and 1.2% have a university education.

### Employment, Skills, and Productivity<sup>3</sup>

|   |           |
|---|-----------|
| Labor force (m, 2007)                                       | 1.1       |
| Labor force growth rate (% p.a., 2004)                      | 5.2%      |
| Labor Productivity Growth Rate (%, 1995-2004)               | 7.8%      |
| Skills - doctors/10,000 population (2007)                   | 13.9      |
| Literacy - adult (% , 2006)                                 | Total 99% |
| Literacy - youth (% , 2005)                                 | 99.4%     |
| Agricultural value-added per worker 2004 (2000\$ PPP)       | \$1,356   |
| Increase in monthly earnings in real terms (average, entire | 8%        |

### Population, Labor Force Structure, Employment, and Unemployment (in thousands, ILO, 2007)

| Age          | Population*  | Economically | Employment |        | Unemployment |        |
|--------------|--------------|--------------|------------|--------|--------------|--------|
|              |              |              | Male       | Female | Male         | Female |
| 0-14         |              |              | 794        |        |              |        |
| 15-24        | 602          | 303          | NA         | NA     | NA           | NA     |
| 25-49        | 1,076        | 852          | NA         | NA     | NA           | NA     |
| 50-64        | 432          | 247          | NA         | NA     | NA           | NA     |
| 65+          | 286          | 43           | NA         | NA     | NA           | NA     |
| Total 15+    | 2,396        | 1,445        | NA         | NA     | 79           | 74     |
| <b>Total</b> | <b>3,190</b> | <b>NA</b>    | <b>934</b> |        | <b>150</b>   |        |

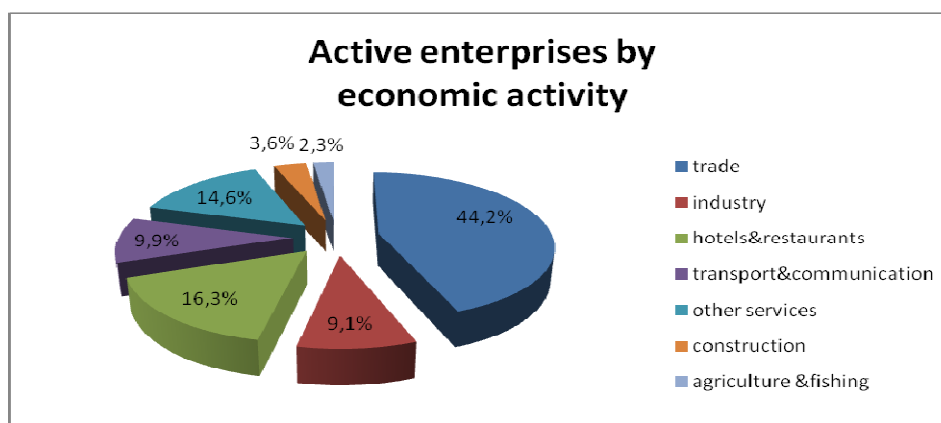
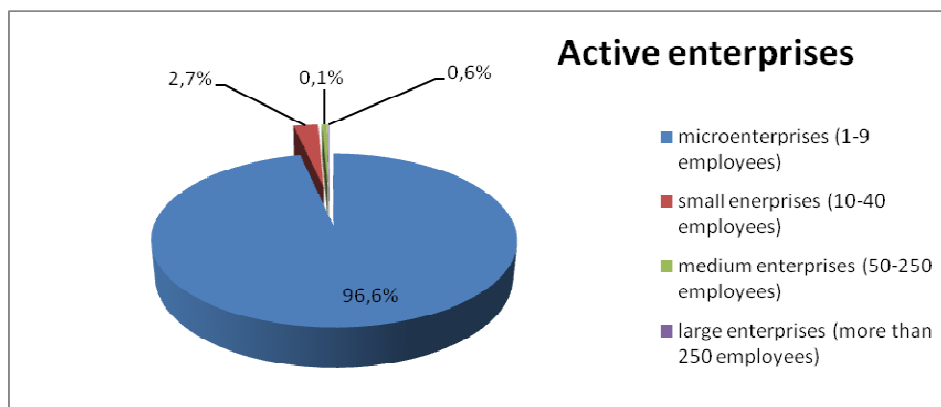
### GDP and Labor Force by Industry (In thousands, ILO, 2006)

| Sector                             | GDP share* | Total Employees** |
|------------------------------------|------------|-------------------|
| Agriculture, hunting, forestry     | 24%        | 542               |
| Mining                             | 0.7%       | 5                 |
| Manufacturing industry             | 12.3%      | 58                |
| Electricity, gas and water supply  | NA         | 10                |
| Construction                       | 9.4%       | 53                |
| Wholesale, retail trade, repair of | NA         | 68                |
| Hotels and restaurants             | 21.2%      | 16                |
| Transport, storage and             | 12.1%      | 19                |
| Financial intermediation           | -3.3%      |                   |
| Real estate, renting, services     | NA         | 90                |
| Public administration, defense,    | NA         |                   |
| Other social and personal          | 24.9%      |                   |
| Education                          | NA         | 48                |
| Health and social welfare          | NA         | 25                |

\* Albanian Institute of Statistics, 2004 \*\* In thousands

<sup>3</sup> Labor market country profiles Europe and Eurasia – USAID- RCI, April 2009

Based on INSTAT data, the number of active businesses till the end of 2008 reached 104,750 which show a growth of 20% comparing to the previous year. The birth rate of the new enterprises is 18.7%. As it concerns geographical spread of businesses in Albania, 50% of active enterprises in 2008 are focused in prefecture of Tirana and Dures.



Source - INSTAT

In the first semi- annual in 2009, it is noticed that the global crisis has had its effects in the export sector, which resulted in decrease of 20% compared to the same period of 2008. The rate of the exports from domestic production in the 1<sup>st</sup> semi annual of this year (2009) is decreased of 29.5%.

The issues for the Albanian labor market are informal employment and emigration, which hinder job creation. A 2004 OECD study estimates that the informal economy generates approximately 23.4 percent of Albanian GDP. Other studies speculate the share to be as high as 30 to 60 percent of GDP, reflected by the fact that only 31.3 percent of the labor force is employed under permanent contracts.

The primary barriers to growth and formalization of enterprises include Albania's unsuccessful implementation of laws governing enterprises, an undeveloped capital market, poor infrastructure, and a developing judicial system that makes firms, workers, and investors bear exaggerated risks. Agriculture employs 50 percent of the workers, yet, it provides only a quarter of the GDP. The largest reduction in labor force has occurred in the manufacturing sector, which has declined by half for men, and two thirds for women. The only sector that has raised employment levels since 1989 is the service sector. However, the upward shift is apparent only among men while the female participation has remained constant

## 4.2. Opportunities for Doing business in Albania

### 4.2.1. Governmental, institutional and donor community activities

In the past years the Albanian Government has undertaken some important reforms to improve the business climate, the development of SME, incentive of foreign investments and exports. The Strategic directions of the Albanian Government for the development of the business and investments are presented in the **Strategy for the Development of Business and Investments**, approved by the Decision of the Council of Ministers Nr. 795, dated on 11.07.2007.

#### **European Charter of SMEs.**

Regarding the implementation of European Charter of SMEs the following has been done:

- A) **Cost and time reduction on business registration.** The new legislation on the establishment of National Registration Centre (NRC) is approved which changes the business registration from a juridical act nearby Law-court of Tirana in a simple administrative procedure. NRC started its activity on September 10, 2007 and acts as a one-stop-shop for registering a business only in one day. Until April 2009 there were 30 desks in municipalities and chambers of commerce and industry all over Albania opened. All kinds of services are offered in a symbolic payment of **100 lek** or **0.81 Euro**.
- B) **The reduction of steps in entering a business.** The performed reforms during 2007 have brought the number of steps to enter a business in Albania to **5** from the previous **10** steps. Concretely: Companies use only an identification number given by NRC when they make the registration and at the same time it is generated in the tax office, social insurance office and work office. This has brought the reduction of 4 steps to start of business. With the Law from 10.04.2008 the Law on chambers of commerce and industry is amended reducing the obligation of companies to register nearby CCI. The membership now is voluntary. This has brought the reduction with 1 step to start a business.
- C) **Implementation of National Program of Trainings for boosting Competitiveness of SME-s in EU market**  
Albinvest develops the National System of Trainings for the support in increasing competitiveness of SME-s to the EU market. Albinvest benefits from the assistance of IPA 2007 fund for boosting the capacities in these fields:
- Assistance in the preparation of the training modules for SME-s (new training modules for internationalization and competitiveness)
  - Training of trainers;
  - Assistance for training the SME;
  - Assistance for monitoring and evaluating the training process.
- D) **The improvement of online access**  
A legal framework for the online tax payment, online procurements, and online business registration is prepared, in the framework of the program USA, MCA, Millennium Challenge Albania Threshold Agreement Project. It is drafted and approved by Law form 25.02.2008 "**On electronic signature**" in fully compliance with EU directive **1999/93/EC**. This law was prepared with GTZ expertise.
- In the field of **reduction of fiscal burden for business**, from 1 January 2008 a **corporate tax in 10 %** (from 20% that it was by the end of 2007) has entered

into force. The fiscal burden on tax for **social insurance** for employers with 5 points (from 20% to 15%) is reduced as from 1 May 2009.

**E) Improvement of business financing schemes.** Crediting the economy has increased during 2007. Credit portfolio of banking system increased during 2007 of approximately 46.6%. Even though SMEs financing have been increased, it is considered insufficient to encourage a fast development of the sector. To improve the SMEs financing climate during the last year there are some measures regarding mainly the access of guarantee credit schemes for SMEs undertaken such as:

1. **The establishment of the Export Credit Guarantee Fund (ECGF)** with a Government Decree, date 25.07.2007. The exports credits guarantee fund is part of guarantees that the Government issues, and the maximum amount of the fund is **200 million Lek**, (1,6 million Euro) and will be delivered for a period of 6 years. ECGF covers the banks' requirement toward the mortgage coverage for short term commercial loans. Each guarantee will be used to cover up to 85% of the credit's amount required, and in maximum for 10 million Lek (or equivalent) loan. Each guarantee is valid for a period up to 1 year. Albinvest agency is the managing institution of this fund. For this reason, a sector which will proceed with all the necessary procedures and will make a financial and risks analyses of the beneficiary company is established. Until the end of August 2009 Albinvest has prepared 17 proposals for approval in the Assessment Committee of Guarantee in Exports, which has approved 2 of them, with a total value of 9 million.

2. **Starting of Italian program on support of SMEs** with a loan of 25 million Euro and guarantee fund of 2,5 million Euro. On 22 February 2008, by a verbal note the Italian part communicate the Albanian part for necessary changes in the agreement for the realization of "Program for the development of private sector through an aid credit for the support and technical assistance of small and medium enterprises". There are approved agreement amendments from Council of Ministers in June 2008. Until September 2009, **13** companies with a total value of **3.2 million euro** were given credit.

3. **The operation of leasing services** may be considered as a financial alternative for SME that affect the development of business and the increase of employment. During 2007 there has been a growth of the leasing activity, but until now only four leasing companies have entered the market. To make the growth of leasing activity possible, a law "On Leasing" is amended 29.10.2007.

**F) Increase of SMEs competitiveness**

To the effect of supporting SME-s and boosting their competitive ability, the Government has set a fund of 25 million Lek (200.000 Euro) under **Government Decree dated 21.02.2007 "On establishing the Albanian Competitiveness Fund"**. By this fund companies will be financed for a period of three years, based on a cost sharing grant scheme of up to 1 million Lek, but not more than 50% of the value of project cost. The activities benefiting from this fund are connected to the improvements of system of management, product certifications, market researches, product marketing, participation in fairs and exhibitions etc. Albinvest is the agency which is managing this fund. From the beginning of this programme, 2007, until the end of September 2009, **73** projects with a total value of **54 million** are approved from the Commission Approval of the Programme.

- **Competitiveness and Innovation Program for SMEs.** According the decision of the European Parliament No. 1639/2006/EC regarding the starting of the program for **Competitiveness and Innovation**, Competitiveness Innovation

Programme, (CIP) for the period 2007-2013 is allowed to be applied in Albania. Inside the CIP program there are three main sub-program which are focused in SMEs with that type of technology that protects the environment.

**G) Business Incubators.** Currently there are only 2 businesses incubators, one in Tirana and one in Shkoder, but both of them didn't justify their real role as generators of new businesses and employment. Until the end of 2007, the policies for the establishment of business incubators were under Ministry of Labor and Social Affairs. In the strategic program of SME-s development for the period 2007-2009, in the framework of the growth of SME-s competitiveness through technology transfer and innovation, there are policies foreseen for establishment of the business technology incubators, through a cooperation network: universities - private sector (business) - policymakers for the encouragement of innovative SME-s. In the framework of IPA 2007 there will be Technology and innovation strategy prepared where main measurements for the establishment of business technological incubators will be presented.<sup>4</sup>

There are several donor / international organizations present in Albania that deals with different areas and sectors and provide opportunities for funding projects and support of the business activities in the country. USAID, UNDP, GTZ, WB, SDC, and other bilateral/multilateral development programs are present in Albania and most of them heavily target economic growth. A potential partner in replicating the model in other countries in the region for the benefit of the Albanian companies might be Albanian-American Development Foundation (AADF) which is currently in a start-up phase and is funded by the reflows from the Albanian-American Enterprise Fund (AAEF).

#### 4.2.2. Promotion and protection of foreign investments in Albania

Albania is trying to attract foreign investment and promote domestic investment, but significant impediments exist. The Albanian Government faces the daunting task of standardizing and uniformly applying business laws, improving transparency in business procedures, resolving property ownership disputes, restructuring the tax systems (including tax collection), and reducing corruption.

Business growth has been hampered by Albania's inadequate energy and transportation infrastructure despite some significant investments in both sectors during the last few years. The capital, Tirana, and the main port of Durres generally receive electricity most of the day, but frequent power outages plague every other city, small town, and rural village. Although recent steps have been taken to improve the transportation infrastructure, Albania has a limited railway system and just one international airport. Because of the mountainous terrain and poor road conditions, overland goods transport is arduous and costly. However, the government has invested heavily in road construction over the last three years, and the country now supports a new, modern highway along its entire coastline, from Shkoder in the north to the southern resort city of Sarande. In addition, completion of the 170-kilometer Durres-Kukes highway in spring 2010 will provide a major transportation corridor connecting markets in the central Balkans through Kosovo to the port of Durres.

---

<sup>4</sup> Ministry of Energy, Trade and Economy of Albania

The Albanian Government has applied a set of liberal fiscal policies during the last two years. These policies measures consist of:

- From 1<sup>st</sup> of January 2008 corporate and income tax has been reduced from 20% to a “flat tax” of 10%
- Since 1<sup>st</sup> of January 2008 disposal of income taxes from 20%, implementing a “Profit tax” of 10%. All domestic and foreign companies registered for VAT are subject to profit tax.
- National Registration Center (NCR) have began working as One-Stop-Shop where all business activities can be registered in one day with a cost of 1 Euro

The inflow of foreign direct investment during the year 2008 reached 653 million Euros or 41% more than the inflow of 2007. For the first six months of the year 2009 the FDI inflow is 436 million euro. It is estimated that most of incoming inflows of foreign investment for this year comes from investments in the energy sector, investments in the hydrocarbons operations in blocks and the search source, etc. in the financial sector. An important contribution to the growth of this inflow has been the privatization of ARMO Sh.a. (Albanian Refining and Marketing of Oil).

Active foreign and joint enterprises at the end of the year 2008 reached 2107 units from 1354 in the year 2007, an increase about 35 %.

According to the economic activity, 34 % of the foreign and joint enterprises belong to the trade sector, 25 % are operating in the processing industry, 23 % on services, 8 % construction, 5 %, transport and telecommunication.

Law Nr. 7764 dated on 02.11.1993 “On Foreign Investments” guarantee that the foreign investments in the Republic of Albania are permitted and treated on a basis no less favorable than that accorded in like situations to local investments. In all cases and at all times foreign investments receive fair and equitable treatment, enjoy full protection and security.

Desiring to expand and strengthen economic cooperation, based on the principle of equal treatment and reciprocal profit, aiming to create and maintain favorable conditions for greater investments from investors of contracting parties in the territory of the other contracting party, knowing that the promotion and protection of reciprocal investments serve the encouragement of the initiative of business and growth of economic prosperity of the contracting parties, the Republic of Albania has signed agreements on promotion and reciprocal protection of investments.

Albania has signed also the double taxation agreements which have a great impact on attraction of FDI.

**Promotion activities** that aim on encouragement of foreign investments ask for great financial resources, as well as for professional, efficient structures, to implement these initiatives timely, in place and in proper sectors. For this reason, the Government of Albania has create Albanian Agency for Business and Investments (Albinvest). An important asset that this agency currently own is the access in information for foreign and local entrepreneur. One of the impedimental factors of investments, especially those of foreign investments, has been the access in information. Near by Albinvest every entrepreneur can find a wide range of economic, fiscal, legal, and social information etc.

During the year 2007 within Albania are organized a range of business missions from Italian business of the region of Lombardi, Puglia and Abruzzi as well as Austrian business. The motto of these missions was the presentation and advantages of Albania in the directions of the promotion of foreign investments and in the concrete sectors; energy, construction, automotive, and production of the lumber, IT sector, interested for participating companies.

Alinvest has also realized market studies and informative standard packets to make possible quick response to foreign investors' requirements in sectors such as energy, tourism, construction, aquaculture, BPO, garments, leather and shoes.

#### 4.2.3. Fastest growing industries in Albania

Biggest industries in Albania encompass: food processing, textiles and clothing; lumber, oil, cement, chemicals, mining, basic metals, hydropower. Regarding the agricultural products, the most common ones are: wheat, corn, potatoes, vegetables, fruits, sugar beets, grapes; meat, dairy products.

Investment opportunities exist in various sectors, such as:

- Energy
- Infrastructure
- Mining and Oil
- Telecommunications
- Tourism
- Textiles/Clothing
- Leather/Footwear
- Agroindustry: Meat processing, Herbs & Spices, Frozen foods, etc.
- Stone and marbling processing,
- Wood processing and Furnitures, etc.
- Plastic products

#### 4.3. Recommendations for replication of the OBCK Model in Albania

Based on the conducted analysis of the business environment and existing opportunities for foreign investments in Albania, as well as the lessons learned and experiences gained through the establishment and management of the Office Business Center Kosovo, recommendations for replication of the OBC model in Albania are:

- Having in mind that the first 8-12 month of the companies' activities on the foreign market is setting a base and getting familiar with the economic environment, especially the period required for registering a local legal entity, it is recommended that the smaller space of about 100 m<sup>2</sup> for these OBC is rent. It is sufficient to have several working stations in an "ocean model" and conference and meeting room, having in mind that other services can be provided with less space occupied. That will decrease the costs of the OBCs and the monthly fee companies pay. There are several business centers in Tirana that offer suitable office space. Price for renting the office in the centre or in suburb of Tirana ranges between \$6 and \$20 per m<sup>2</sup>. One of the possible ones to search for suitable premises is the ABA Business Center, the biggest Business Center in Albania, which is located in the center of Tirana and has total space of 28,000 m<sup>2</sup>. Its facilities feature 9,168 m<sup>2</sup> of office space for lease. The ABA Business Center host 5 floors of Retail units, food

courts including a dining restaurant on the 20th floor and many other leisure facilities.

- What was shown as a need for the companies was an outsourcing of specialized professionals in different areas and local consultants for providing market analysis for the specific sectors. It is recommended these needs to be taken into consideration while establishing OBCs in other countries which means that the market research for several of the most growing industries in Albania to be available/offered to Macedonian companies from these industries prior to any engagements into the OBC activities.
- The experience from OBCK shows that management of the centre and providing high quality services requires production of several documents such as:
  - OBC Operational Manual and Guidelines
  - Process of establishment of legal entity in Albania
  - Taxation in Albania
  - Offers and service packages
  - Translation services process
  - Offers and mailing information in Albanian and English
  - Development review template
  - Hiring process through OBC
  - Companies Concept Note template
  - Company info template
  - Company Action Plan template
  - Databases of local companies from particular industries
  - How to reach OBCK from Macedonia
  - Albania official holidays
  - List of Fairs in Albania
- It is of great importance data bases of companies from different industries to be prepared and provided to the clients. These data bases will faster the process of reaching local companies and will accelerate the establishment of partnerships.
- While dealing with local circumstances it is recommended that there is a pool of local experts and consultants in particular areas (legal, accounting, marketing) to be available for the needs of the companies in dealing with administrative, operational and legal procedures.
- Networking with local companies should be developed through membership in most important business associations, trade unions, chambers of commerce in Albania.
- Promotion activities should take place from the mere beginning of the establishment of the OBC. They may include commercial announcements in newspapers, mass mailing, e-newsletters of the chambers of commerce and other associations, newspaper articles, interviews, promotion events, vouchers, on-line media, B2B events, consulting meetings, presentations etc.
- Having in mind that several companies from the same industry will require one specific type of personnel, it is recommended that the staff engaged is from the appropriate industry or have educational background of the same, such as IT, food and beverages, consultancy etc. The advantage of this specialized and focused approach is that the companies can use the frequent communication between themselves while doing business on a foreign market, as well as can make use of the common data base for the industry.
- OBC employees in Albania should be capable and more engaged in the pre-sales activities of the companies. It will require appropriate training and sufficient knowledge of the employees about the services and products the companies offer. The staff should be capable of providing advisory and consultancy services as well.

- It is recommended that the OBCs provide comprehensive Handbook on how to do business in Macedonia and Albania having in mind that it was of great use for the companies entering Kosovo market.
- Further development of services should be done taking into consideration specific needs of the client which often required combination of the ones, starting with Find a partner service that includes small market analysis. One of the important services would be facilitation of foreign investors in the countries.

## **5. Possibilities for replication of the OBCK model in other countries in the Balkan region**

### **5.1. Macedonia**

As the project implementation showed possibility and a potential for providing services to Kosovo companies for the Macedonian market, it is a logical step forward to support the partnerships of Macedonian and Kosovo companies by setting up a base for Kosovo/Albanian companies in Macedonia as well. Therefore CEED Macedonia will take advantage of its premises and personnel to establish an OBC for foreign companies that besides Kosovo, it might be used by Albanian companies as well. The companies will make use of the know-how (pre-sales, market research, management, etc.) by the CEED Macedonia staff that can dedicate their time on establishing and improving economic relations between Macedonia, Albanian and Kosovo companies. This OBC in the first phase of establishment will offer services which require logistical, administrative, operational and consultancy support for foreign companies such as:

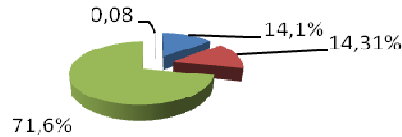
- Operational services
- Administrative services
- Consultancy services
- Virtual office
- Usage of conference and meeting rooms
- Usage of equipment

Several types of events might occur in the Macedonian OBC having in mind the developed network of CEED's clients like B2B, matchmaking, partnership establishment etc.

Following tables show data about Macedonian imports and exports which leave space and need for supporting a trade in the region. Having in mind types of products of the countries from the region, their share in the export, their fastest growing industries and especially very low trade with Albania, Bosnia and Herzegovina, and Kosovo (given as part of Serbia but local data confirm non-exhaustion of possibilities), bring us to solution that the economic sector will further on find this model attractive and suitable for companies' expansion abroad.

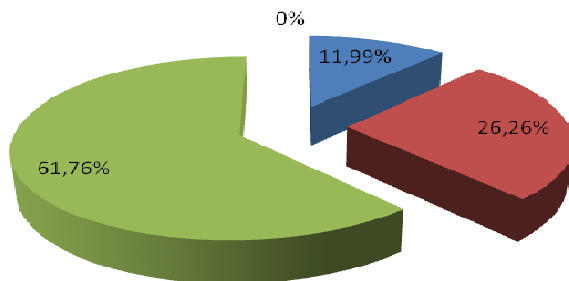
## Export of Macedonian Products 2008

- agriculture products (food, raw materials) 560,54 mill \$
- mineral raw (ore and other minerals, fuel, non-ferrous metals) 568,84 mill \$
- production (iron and steel, chemical products, other semiproducts, machinery, office and transport equipment, textile, clothes, other consumer products) 2846,87 mill \$
- non classified products 2,99 mill \$



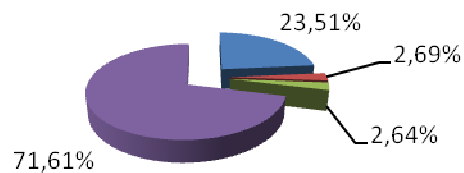
## Imports in Macedonia 2008

- agriculture products (food, raw materials) 812,33 million \$
- mineral raw (ore and other minerals, fuel, non-ferrous metals) 1779,79 million \$
- production (iron and steel, chemical products, other semiproducts, machinery, office and transport equipment, textile, clothes, other consumer products) 4185,56 million \$



## Macedonian export per countries 2008

- Serbia (including Kosovo) 934,72 million \$
- Albania 106,77 million \$
- Bosnia and Herzegovina 104,84 million \$
- other



## 5.2. Bosnia and Herzegovina

Bosnia and Herzegovina market is very similar to the ones in other countries in the region having in mind the common past and similar economic activities. The replication of the OBC model would be possible with the similar resources that it will shorten the time for its establishment. An analysis of the specifics of the market is required prior starting the procedure of establishment that will provide information of the legal system, economic regulations, incentives for foreign investments and other useful data. Having in mind the European perspective of the country and the strategic geographical position, the economic relations with the countries from the region are inevitable and will influence the regional development.

## 5.3. Serbia

Replication of the OBC model in Serbia is possible and needed as in Kosovo, Albania and BiH because of several reasons. First of all it is the biggest country from the region and is neighboring Kosovo, B&H and Macedonian market, and the Albanian one is very close. Macedonian companies are already dealing on this market and the trade exchange is big share of the total exchange of the country. Still, the Macedonian companies are not organized in the way to maximize their performances on this market and are in need to such a centre. As for the micro and small companies it is necessary to perform on this market in organized way to cut the costs having in mind the bigger competition. Besides good relations with B&H, the economic relations with Kosovo and Albania suffer from political influences and the OBC that will encompass companies from the region will positively affect such relations. Serbia is a market that is different in size but also very similar in terms of common past with other countries, as well as similar in terms of EU aspirations that brought the country to accelerated harmonization of their laws with the EU legislation.

\*\*\*\*

The network of OBCs in Kosovo, Albania and Macedonia will be trilateral system of centers providing services for the companies of these countries which will support their economic cooperation and trade and inflow of FDI. This small support system will help the region to develop further while the economic ties are strengthened and mutual cooperation developed. So, Macedonian OBC will provide services for the Kosovo and Albanian companies, Albanian one to Kosovo and Macedonian companies and the Kosovo one to Albanian and Macedonian companies in the first phase.

The expansion of the system to Serbia and Bosnia and Herzegovina will make strong regional network of five OBCs from which companies can take advantage of, so further development strategy should go into direction of setting up OBCs in Serbia and BiH also. The network of five OBCs throughout a region will certainly be a base for improved economic cooperation and trade relations between countries which will lead to further regional development.

## **6. Presence of international/donor organizations in Albania - opportunities for funding projects**

There are several donor / international organizations present in Albania that deals with different areal and sectors. The biggest ones that have offices in Albania are put in the Annex 1.

## **7. USAID/Donor support /stakeholders engagement**

- Replication of the OBC model in Albania and establishment of similar Office Business Center in Tirana should be created by several interested stakeholders from Kosovo and Macedonia so that the OBC Albania can benefit both countries. Initial interest in proving start-up support for OBC Albania was given by the Competitiveness Project in Kosovo, CEED Kosovo, Competitiveness Project in Macedonia and CEED Macedonia.
- Further USAID, other donors and/or governmental financial support can be used for conducting market researches and analysis for particular industries (for example, IT industry, textile industry, food industry, tourism etc.). Availability of such market researches would have great impact in improving the readiness of the companies and their management teams to start offering their products and services to the foreign market.
- Further USAID and/or governmental financial support would be of great importance to reach bigger pool of companies interested to start exploring a foreign market, as well as to expand the local staff and/or outsourcing and engagement of experts in different areas.

## Resources

- *Ministry of Economy, Trade and Energy of the Republic of Albania*
- *Ministry of Education of the Republic of Albania*
- *Albanian Institute for Statistics (INSTAT)*
- *Albanian Agency for Investment and Business (ALBINVEST)*
- *Albanian National Registration Center (NRC)*
- *International Labor Organization*
- *CIA World Fact Book*
- *United States Department of State*
- *European Commission*
- *Real Estate Agencies in Tirana, Albania*
- *Labor market country profiles Europe and Eurasia - USAID- RCI, April 2009*

Annex 1: Donors and international organizations.

|  |   |
|--|---|
| <p><b><u>COUNCIL OF EUROPE</u></b><br/> Pallati i Kultures, Kati I<br/> Sheshi Skenderbej<br/> Tirana, Albania<br/> Tel: +355 (4) 228419<br/> Fax: +355 (4) 248940<br/> E-mail: <a href="mailto:informtirana@coe.int">informtirana@coe.int</a><br/> Homepage: <a href="http://www.coealb.org/">http://www.coealb.org/</a><br/> Olsi Dekovi<br/> Director</p>   | <p><b><u>Council of Europe Development Bank (CEB)</u></b><br/> Department for Projects<br/> 55, Avenue Kléber, 75116, Paris, France<br/> Tel: 0033 1 47 55 71 33<br/> Mobile:00 33 6 37 57 53 52<br/> Fax: 00 33 1 47 55 37 52<br/> E-mail: <a href="mailto:cristian.tabacaru@coebank.org">cristian.tabacaru@coebank.org</a><br/> Homepage: <a href="http://www.coebank.org">http://www.coebank.org</a><br/> Cristian Tabacaru<br/> Country Manager</p>   |
| <p><b><u>EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT</u></b><br/> Rr. "Abdi Toptani"<br/> Torre Drin 4<sup>th</sup> floor<br/> Tirana, Albania<br/> Tel: +355 (4) 232 898 / 253 099<br/> Fax: +355 (4) 230 580<br/> Homepage: <a href="http://www.ebrd.com">www.ebrd.com</a><br/> Albania projects:<br/> <a href="http://www.ebrd.com/country/country/albania/index.htm">http://www.ebrd.com/country/country/albania/index.htm</a><br/> Mr. Daniel BERG<br/> Head of Office</p> | <p><b><u>EUROPEAN FREE TRADE AGREEMENT</u></b><br/> Rue de Varembe 9-11,<br/> CH-1211 Geneva<br/> Tel: +41 22 332 26 41<br/> Fax: +41 22 332 26 77<br/> Homepage: <a href="http://www.efta.int">http://www.efta.int</a><br/> Mr. Tormond Simensen<br/> Officer<br/> Third Country Unit</p>  |
| <p><b><u>EUROPEAN INVESTMENT BANK</u></b><br/> 100, bd. K. Adenauer,<br/> L-2950 Luxembourg<br/> Tel: +352 43 79 27 49<br/> Fax: +352 43 79 28 60<br/> E-mail: <a href="mailto:info@eib.org">info@eib.org</a><br/> Homepage: <a href="http://www.eib.europa.eu/">http://www.eib.europa.eu/</a><br/> Mr. Axel Hörhager<br/> Project Co-ordinator Balkans, Projects<br/> Directorate</p>   | <p><b><u>DELEGATION OF THE EUROPEAN UNION</u></b><br/> ABA Business Center,<br/> Rr. Papa Gjon Pali II, 17th floor, Tirana -<br/> Albania<br/> Tel: (+355) 4 222 8320 or 223 0871 / 222<br/> 8479 / 223 4284<br/> Fax: +355 (4) 230752<br/> E-mail: <a href="mailto:delegation-albania@ec.europa.eu">delegation-albania@ec.europa.eu</a><br/> Homepage:<br/> <a href="http://www.delalb.ec.europa.eu/">http://www.delalb.ec.europa.eu/</a><br/> His Excellency Mr. Helmuth Lohan<br/> Ambassador Extraordinary and<br/> Plenipotentiary<br/> Head of Delegation</p> |
| <p><b><u>FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS</u></b><br/> (FAO)<br/> Chancery: Rr. "Sami Frasheri" Godina Nr. 4,<br/> Tirana<br/> Tel: +355 (4) 250224 /5<br/> Fax: +355 (4) 250225<br/> E-mail : <a href="mailto:fao004@icc.al.eu.org">fao004@icc.al.eu.org</a></p>   | <p><b><u>ISLAMIC DEVELOPMENT BANK</u></b><br/> Jeddah<br/> Tel: +9662-646-6616<br/> Fax: +9662-646-7864<br/> Mr. Bahadir Yadikar<br/> Country Manager for Turkey, Kazakhstan &amp;<br/> Albania<br/> E-mail: <a href="mailto:BYadikar@isdb.org">BYadikar@isdb.org</a></p>   |

|  |   |
|--|---|
| <p><b><u>ILO/IPEC</u></b><br/> ILO Headquarters are located in Geneva,<br/> Switzerland<br/> 4 route des Morillons<br/> CH-1211 Genève 22<br/> Switzerland<br/> Switchboard: +41 (0) 22 799 6111<br/> Fax: +41 (0) 22 798 8685<br/> Website: <a href="http://www.ilo.org">http://www.ilo.org</a><br/> E-mail: <a href="mailto:ilo@ilo.org">ilo@ilo.org</a><br/> Mr. Alfred Topi<br/> National Coordinator<br/> Instituti Sigurimeve Shoqerore<br/> Rurga Durrësit, NR. 83<br/> Tirana Albania<br/> Telephone/Fax: +355 4 2270 274<br/> Mobile: +355 692 434916<br/> E-mail: <a href="mailto:topi@ilo.org">topi@ilo.org</a></p> | <p><b><u>INTERNATIONAL MONETARY FUND (IMF)</u></b><br/> Twin Tower 1<br/> Blvd. “Deshmoret e Kombit”, Suite 5-4<br/> Tirana, Albania<br/> Tel: +355 (4) 280400<br/> Fax: +355 (4) 280401<br/> E-mail: <a href="mailto:imf@albmail.com">imf@albmail.com</a><br/> Homepage: <a href="http://www.imf.org/">http://www.imf.org/</a></p>   |
| <p><b><u>INTERNATIONAL ORGANISATION FOR<br/> MIGRATION<br/> (IOM)</u></b><br/> Rr. “Brigada VIII”, Nr. 3, Tirana<br/> Tel: +355 (4) 257836 /7 /240337<br/> Fax: +355 (4) 257835<br/> E-mail: <a href="mailto:iomtirana@iomtirana.org.al">iomtirana@iomtirana.org.al</a><br/> Homepage: <a href="http://www.iomtirana.org.al">www.iomtirana.org.al</a><br/> Ms. Nicoletta GIORDANO<br/> Representative</p>  | <p><b><u>ORGANISATION FOR SECURITY AND<br/> COOPERATION IN EUROPE<br/> (OSCE Presence in Albania)</u></b><br/> Sheraton Tirana Hotel &amp; Towers<br/> Sheshi "Italia"<br/> Tirana, Albania<br/> Tel: +355 (4) 235993<br/> Fax: +355 (4) 235994<br/> e-mail: <a href="mailto:Dan.Redford@osce.org">Dan.Redford@osce.org</a><br/> Home page: <a href="http://www.osce.org/albania/">http://www.osce.org/albania/</a><br/> His Excellency Mr. Robert E. BOSCH<br/> Ambassador Extraordinary and<br/> Plenipotentiary<br/> Ms. Renate Herrmanns<br/> Deputy Head of Presence<br/> Mr. Dan REDFORD<br/> Political Officer</p> |
| <p><b><u>UNITED NATIONS FOR DEVELOPMENT<br/> PROGRAMME</u></b><br/> Rr. "Papa Gjon Pali II", ABA Business Center,<br/> Floor 6<br/> Tel.: +355 (4) 2400721, 2400722, 2400723,<br/> 2400724<br/> Fax: +355 (4) 2400725, 2400726<br/> E-mail : <a href="mailto:registry@undp.org">mailto:registry@undp.org</a><br/> Web: <a href="http://www.undp.org.al">www.undp.org.al</a><br/> Mrs. Gulden TURKOZ-COSSLETT<br/> UN Resident Coordinator/ UNDP Resident<br/> Representative<br/> Mr. Norimasa SHIMOMURA<br/> UNDP Country Director<br/> Mrs. Vibeke RISA<br/> Deputy Country Director</p>                                     | <p><b><u>UNITED NATIONS HIGH COMMISSIONER FOR<br/> REFUGEES<br/> (UNHCR)</u></b><br/> Rr. “Donika Kastrioti” Tirana<br/> Tel: +355 (4) 228474 /250206 /7 /8<br/> Fax: +355 (4) 228492<br/> E-mail: <a href="mailto:albti@unhcr.org">albti@unhcr.org</a><br/> Homepage: <a href="http://www.un.org.al/?en,un,unhcr">www.un.org.al/?en,un,unhcr</a><br/> Mr. Mohammad Hossein KHERADMAND<br/> Resident Representative</p>   |

**USAID/Albania**

**American Embassy**

Rr. Elbasan, Nr. 103

Tirana, Albania

Phone: +355 (0)42 247 285

Email: [tirana-webcontact@usaid.gov](mailto:tirana-webcontact@usaid.gov)

USAID/Albania Desk Officer

Phone: +1 202 712 5954

**WORLD BANK (WB)**

Rr. "Deshmoret e 4 Shkurtit", Nr. 34

Tirana, Albania

Tel: (355 4) 280 650/ 1

Fax: +355 (4) 240 590

E-mail: [agjokutaj@worldbank.org](mailto:agjokutaj@worldbank.org)

Homepage: [www.worldbank.org/al](http://www.worldbank.org/al)

Ms. Camille NUAMAH

Permanent Representative

Ms. Greta MINXHOZI

Deputy Representative

Annex 2: List of organizations met in Tirana:

- **Klik Expo Group**, Mrs. Elona Agolli, Blvd. Dëshmorët e Kombit, Rogner Europapark, Tirana/Albania, Tel: +355 42 274210; 274209
- **Union of Chambers of Commerce**, Mr. Ilir Zhilla, [uccial@abissnet.com.al](mailto:uccial@abissnet.com.al), tel. +355 42 230284, Blv. Zhan D'Ark, 23, 1010 Tirana - Albania
- **TAM-BAS EBRD** Mr. Neritan Mullaj, Director (Apartment 102, 10th floor, at Rruga Abdi Toptani, Tirana, Albania, Tel: +355 425 9439, Fax: +355 425 9439, E-mail: [info@bas-albania.org](mailto:info@bas-albania.org)),
- **USAID Albania** - Alma Kospiri and Kristaq Jorgji, Economic Development Office
- **AmCham Albania**, Floreta Luli - Faber, [floreta@amcham.com.al](mailto:floreta@amcham.com.al), +355 4 259 779, cel: + 355 68 20 48 168, TBC
- **Rritje Albania USAID Competitiveness Project**, Mr. Victor Luboyeski, CoP
- **Albanian Agriculture Competitiveness Project**, Mr. Juan Estrada-Valle, CoP
- **Albanian-American Enterprise Fund - AAEF**, Mr. Jeff Griffin, CEO
- **Raiffaisen Bank Albania**, Mr. Oliver Whittle, CEO