

ALBANIA

Architects of Change

Following Albania's recent elections of July 2005, the Democratic Party, led by Prof. Dr Sali Berisha, has come back to power after 8 years of remaining in the opposition. The party that brought about Albania's change from communism to pluralism in 1992, introducing the first reforms leading to a free market economy, has now pledged to bring to Albanians another big change in their history: a well-consolidated democracy, a modern and strong economy and a long-awaited membership in NATO and the European Union. In this introductory essay, Prime Minister Berisha comments on his country's commitment to democracy, free-market principles and steady growth, inviting you to take a closer look into a changed and modern Albania.



Prime Minister Berisha

Fifteen years after the demise of communism Albania is finally on a solid road to economic development and Euro-Atlantic integration. Despite several setbacks and crises the country has come a long way out of the isolation and backwardness inherited from its communist past. Enjoying a fast growing economy now, Albania has a sustainable continuous growth, averaging at more than 6 per cent yearly, with a low inflation rate of 3 to 3.5 percent and a fiscal deficit of about 5 percent of the GDP.

Although a small country, Albania has huge potential for development, not fully recognized until now. Albania's competitive assets include fertile agricultural lands, unexploited mineral reserves, water resources and, last but not least, a young, educated and very active labor force. Tourism is widely regarded to harbor significant growth potential in the coming years. Albania has a favorable climate, magnificent mountains and forests, abundant natural resources and splendid long-stretching coastal areas, unique in the Mediterranean yet pristine and virgin.

Since Albania joined the WTO in September 2000, it has established a very liberal trading framework with low custom tariffs and is set to consolidate strong international ties. In the frame of intensifying political and economic relations with its neighboring countries, significant steps have been made towards regional economic integration and cooperation. Our country has established important Free Trade agreements with the majority of the Balkan countries, soon to lead to the creation of a wider Free Trade region in southeast Europe, providing access to a total market of more than 50 million consumers.

With Albania strategically located in Europe and with a fast-progressing economy, the Euro-Atlantic integration has been set at the top of our agenda and priorities. The European Union does not remain anymore a far-

away dream for the Albanians, as the Stabilization and Association Agreement (SAA) with the EU is expected to be signed in the first months of 2006 and gives important signs of progress and optimism for our society in this respect. I am confident that soon Albania will be a member of the EU, which our people have long deserved. On the other hand, NATO membership could happen as soon as its next enlargement. Such developments signify our intention to drastically improve our country's foreign relations and co-operations, bringing new opportunities on the horizon for Albanians and our international partners.

"A major goal is to turn Albania into the most attractive country for foreign investment in the region"

■ OVERCOMING CHALLENGES

Despite some achievements, the former government built a legacy of corruption, crime, unemployment and poverty that has hampered Albania's development and progress. Our government has a tremendous task of overcoming these constraints, and while we realize that our program is very ambitious and courageous, we have the determination and the will to persevere through all the challenges lying ahead towards achieving our goals.

Our major priority is the re-establishment of the rule of law. Respect for and enforcement of the country's laws and of a transparent judiciary system are a sine qua non for our free market economy and democratic society ambitions. Albania under law is the motto that leads our vision.

Law enforcement, property reforms and strong actions against corruption, economic informality and extra-legality, are the first battles we are determined to win. A major direction of our efforts to this end will be dissolving the complex state structures, through priva-

tization, deregulation, liberalization, cutting red-tape, limiting government expenditures and in general minimizing the government's intervention in the economy.

We are committed to support business growth, as the main source of our country's wellbeing and development. Reducing to half all taxes on small and medium enterprises was one of our first measures, only a few days after we took office. Even more evident to our commitment to instigate private sector entrepreneurship is our planned reduction to 1/3 of all other taxes, within the next couple of years. At the same time, we have already started the preparatory work to introduce the flat tax next year, as well as decrease the number of taxes levied on businesses, families and individuals. Improvement of the fiscal procedures and tax administration are also major priorities.

While our country presents good business potential, foreign direct investment has lagged behind. We aspire

"Euro-Atlantic integration has been set at the top of our agenda"

to establish an investor-friendly environment to stimulate foreign direct investments, repositioning Albania in the eyes of the international business community. A major goal is to turn Albania into the most attractive country for foreign investment in the region.

We are already working to introduce a special package of measures to encourage FDI, improving and facilitating investment procedures, as well as providing special

incentives to investors. Soon, Albania's economy will be more open, liberal, competitive and fair, with significantly attractive fiscal policies to investments. Foreign investors will find it safe and worthwhile to benefit from the advantages that Albania offers.

Recent improvements and upgrading projects in infrastructure, communications and services will boost Albania's favorable geographic position and the efficiency of her natural and human resources. In particular, the new road network across the coast will benefit directly and set the pace for the investments in tourism development, making it possible for Albania to become an important tourist destination in Europe. Beyond this, Albania will finally gain the position it merits: a gateway to the Balkans and southeastern Europe, which geographically it already is.

Major privatization plans are put forward in the telecommunications, insurance and energy sectors, presenting great opportunities for foreign investors to participate in. With liberal laws on concessions, we also strongly welcome investments in infrastructure and the minerals sector.

In conclusion, I would like to stress that Albania's integration into the EU and NATO are our most important strategic objectives. In partnership with the EU and NATO institutions, and indeed their member countries, we will strive to improve and strengthen our economic performance, political environment and social conditions, fulfilling all the standards that will make us a worthy partner; worthy to embrace and be embraced by the international community.

*Introduced by Prof. Dr. Sali Berisha
Prime Minister of the Republic of Albania*

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Albania Today: Political maturity and economic stability

When Dustin Hoffman, playing the part of Hollywood producer Stanley Moss, was asked in David Mamet's satirical movie *Wag The Dog* to create a media diversion for U.S. internal problems, his first choice was to fabricate a fictional civil war in a country nobody knew anything about: Albania. When the film came out in 1997, the choice was effective for the plot, as indeed 40 years of dictatorial isolation under Enver Hoxha had made the southwest Balkan nation the most mysterious piece of land on earth.

That veil of secrecy has been lifted since 1991 when a transition from restrictive communism to free market capitalism was set in motion. Slowly but surely Albania is beginning to project itself as a land of possibilities, opening its doors to foreign investment and planning the privatization of state-owned companies. As with all the former communist states, the changeover has gone through some difficult times, peaking in 1997 when a pyramid scheme involving two-thirds of the country's 3 million strong population was uncovered. The scheme's collapse had such an adverse impact on national economy that it affected all levels of society, causing civil unrest amongst the already impoverished Albanians and bringing down the democratically elected government of Prime Minister Sali Berisha. The country was eerily emulating Mamet's Screenplay. Now, nearly a decade later, Albania has made a near miracle comeback and is emerging as a stable and promising player. The economy is growing by 5-6 percent a year and has inflation under control at a 3 percent annual rate.

■ BACK IN THE DRIVING SEAT

After 8 years of opposition, the Democratic Party returned to government following elections late last year. Outgoing Prime Minister Fatos Nano ensured a smooth transition, enabling Berisha's second government to pursue the nation's EU and NATO accession objectives without political obstacles. The conditions for integration depend largely upon domestic reforms, which the new coalition has vowed to prioritize.

Within Albania's political leadership of the past years there has always been talk of political change, standards, reforms and thorough measures. However, for a long time little was being realized. The newly elected government has promised to bring the real deal in this respect and has already won the confidence vote of the Albanian people, to push forward its ambitious agenda towards Euro-Atlantic integration.

The Finance ministry is headed by Ridvan Bode, the Democrat who first exposed the pyramid investment schemes. The message Sali Berisha is sending out with this appointment is one of tackling corruption head on, a move that is sure to gain both consumer as well as investor confidence.

Agriculture has been identified by the government as a key future growth area. There is strong confidence in Agriculture minister Jemin Gjani's ability to expand Albania's Agri-business

Tourism is also widely regarded to harbor significant growth potential in the coming years. Having been

closed to the outside world for five decades, the country has many untouched beauty spots, including the developing coastal region with clean beaches on a warm Ionian sea.

At present there are 14 ministries, streamlined from 19 and this figure is poised for even further reduction. The ministries represent a careful balance between different ethnic and coalition members, including Southern Ghegs and Tosks, Muslims, Orthodox and Catholic Christians. Coalition partners the Republican Party, the Reformed Democrats, the Agrarian Environmentalist Party and the Human Rights Union (representing ethnic Greeks) have each received one ministry. The strength of the new Albanian government lies in pulling all these departments together in its drive to establish transparency, rule of law, eradicating corruption and becoming a

'Albania has made a near miracle comeback and is emerging as a promising player'

business-friendly, open market economy.

Prime Minister Sali Berisha, whose Democratic Party won 54 of the 100 contested seats, has proven his commitment to forming a stable governing coalition thereby paving the way for economic stability. In a congratulatory letter sent by Tony Blair, UK's prime Minister urged Mr Bersiha to push forward a clear and strong reform agenda, a reference to Albania's EU and NATO membership aspirations. All signs show that the country is on track for accession within the next 10 years, particularly aided by its pursuance of cross-Atlantic relations and adherence to EU directives.

By reaching out to the world Albania is not only doing away with its dogged past, it is also making sure pictures like *Wag The Dog* remain firmly lodged in the fiction section.

Albania at a Glance:

President.....	Alfred Moisiu
Head of government.....	Sali Berisha
Area.....	17,863.17 sq miles
Population.....	3,563,112 (July 2005 est.)
Capital.....	Tirana
Religion.....	Muslim, Albanian Orthodox, Roman Catholic
Life expectancy.....	71.24 years
GDP per capita.....	\$2,421 (2004)
Labor force.....	1.09 million (2004)
Climate.....	mild temperature; cool, wet winters; hot, dry summers
Ethnic groups.....	Albanian 95%, Greek 3%, other 2%
Languages.....	Albanian
Currency.....	lek (ALL)
Exchange rates... leke per US dollar -	99.015 (2005), 102.649 (2004)

Energizing The Albanian Potential

The buzz in business is all about power. Charged with potential, the current flows in Albania's energy market have by no means been static. When such a nation comes out from the cold, after years spent in the dark, it looks for warmth and light. Even though Albania is a small country, the demand for energy has outgrown its supply. Power shortages have become more frequent necessitating the import of electricity from neighboring countries.

Fortunately Albania has various sources of energy waiting to be tapped and distributed. Prime Minister Sali Berisha paints a bright outlook for his country: "There is potential for hydropower, thermal, wind and solar energy, we are a very sunny country with 300 days of sun per year." He outlines the plans to generate new power for his people: "We will work on hydropower development, as still only 30 percent of our capacity is used for energy production. We will work on new sources of energy. This is our strategy. In 1992 we started with \$10 per capita investment, from there we went up to \$380. Journalists would ask us: Is Albania becoming the Taiwan of Europe?" The Premier likes his country to spread its wings with the participation of the private sector in the ongoing privatization processes, grand projects like hydropower plants and a scheduled oil pipeline. "We wish to become the eagle of Europe," he asserts.

The reason Albania needs FDI is to cope with the sheer magnitude and speed of its development. The reforms of transition are never simple and now that Berisha's government has commenced a second generation of reforms, the knowledge gained in the past 15 years helps to draw a clearer picture. Minister of Economy, Trade and Energy Genç Ruli cuts to the chase: "The factors that have been fuelling economic growth up to now are already exhausted. Up to 2000, Albania's energy sector had quite a balanced demand and supply, but since that time we are depending more and more on imports of energy. In the last decade we have had the fastest growth in energy demand, up to 10 percent per year. Now it has been relatively disciplined to a magnitude of 6-7 percent. So the challenge ahead is big, a revival of the industrial sector, mainly based on new investments." Mr Ruli is adamant that the liberalization of the energy market will be conducted with "fast gradualism." "The state will allow all forms of privatizations, concessions, fully owned alternatives in the generation, hydropower and distribution sectors." Transmissions however will continue to be state managed as part of the Albanian Power Corporation (KESH).

The other two companies to be created from KESH for privatization will be in charge of generation and distribution. KESH annually generates 4,160 GWh of electricity, 95 percent of which comes from hydropower plants in the north and 5 percent from thermal power plants. However, because of outdated facilities and equipment almost one-third of this production is lost in transmission. Albania's largest power station – the Koman Hydroelectric

plant on the Drin River – has a capacity of 600 megawatts, but is dependent on rainfall from the northern mountains. The National Energy Agency developed a supply diversification strategy to reduce the dependence on hydropower in which a feasibility study was conducted into a 400 MW oil-fired thermal power plant at Vlora, a port on the Adriatic coast. In April 2004 The World Bank, The European Investment Bank (EIB) and The European Bank for Reconstruction and Development (EBRD) signed a loan worth \$100 million for the project.

The oil needed for such a station would not have to come from very far. Albania has proven natural reserves of 165 million barrels and a potential estimated 450 million barrels. The main extraction field is located at Patos-Marinza, one of the largest onshore oil fields in Europe with a current production of 3500 BOPD (barrels of oil equivalent per day). Mr Ilia Fili, General Director of state-owned Albpetrol which runs exploration and extraction operations in Albania, explains that production is under capacity: "There are about 200 million cubic meters of in-place reserves of which recoverable reserves amount to 32 million cubic meters by means of the existing technology." Other off- and onshore sectors are being explored.

The sole refiner in Albania is ARMO, the Albanian Refining and Marketing Association of Oil. It has two major refineries at Fier and Ballsh, the latter having a capacity of 1 million tons, however both stations are currently operating at 30 percent of capacity. The refineries' relative proximity to the coast allows for import and export possibilities which scheduled privatization and investment is destined to expand. Add to this the proposed AMBO (Albanian-Macedonian-Bulgarian Oil) pipeline that would link the Black Sea port of Bourgas with the port of Vlora, and Albania has the prospect of becoming a major centre for the distribution and refining of oil. Albpetrol and ARMO work closely together and are both being prepared for privatization. This is where the National Petroleum Agency headed by Fatbardh Ademi will be of value to foreign investors, from the attribution of exploration rights to assisting with all the local paperwork. "This agency was established so foreign companies have only one contact point with the government. They need not go to the tax office, the custom authority or to the minister of finance. The agency is responsible for solving the problems they face," explains Mr Ademi. A committed choice which definitely reduces hurdles for many prospective investors.


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Thinking Ahead

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Our Vision:

To be the market leader in Albania by manufacturing and trading high quality brands, and offering up to date services in order to fulfill the needs of our clients, consumers and partners.

Protecting Albania's Assets

What is the value of life? If you were to go by the numbers in the Albanian insurance sector, where 75 percent of insurance premiums are taken up by motor insurance, it would be less than that of a car. This is of course a twisted representation in a country where vehicle insurance is compulsory and the concept of private life insurance has only been around for 15 years. Albanians are however beginning to see the merits of life insurance.

In total, the Albanian market counts ten insurance competitors, only two of which are life insurers. Operating since 1991, INSIG was Albania's first insurance company. The state insurer, part owned by the European Bank for Reconstruction and Development (EBRD) and International Financial Corporation (IFC), single-handedly pioneered the private insurance sector in Albania. While INSIG's market share is a modest 20 percent, the company now has a net profit of \$3.5 million, total assets valued at more than \$55 million and strong ties with international re-insurers. As Albania's largest payer of claims, INSIG has built a solid reputation by observing international standards and keeping reserves up to well above the required level. INSIG's General Manager, Mr Varuzhan Piranjani, sees ample room for growth: "Analyzing the financial figures, like the 10 percent annual increase in bank deposits, we are looking for products to grow in this untouched area," says Mr Piranjani. "There is a boom in construction and investors understand the need to insure their employees, housing projects, office or service industry." INSIG's strong financial position, the expansion of activities in Kosovo and Macedonia through its subsidiaries and the launching of new products is reflected in its client increase, which reached up to 130,000 for both life and non-life policies.

The opening of its Kosovo branch marked the first case of an Albanian company exporting its financial capital. Mr Piranjani sees inter-regional cooperation as a competitive priority. "In a regional conference of southeast European countries we created a partners group with Kosovars, Serbs, Greeks, Macedonians, Croatians and all others. We have understood that cooperation and integration is our target in the future not only as an insurance company but as a country."

"We have understood that cooperation and integration is our target in the future not only as an insurance company but as a country."

Mr Varuzhan Piranjani, General Manager, INSIG

Sharing the life insurance market with INSIG is SIGAL. A relatively young company, SIGAL has obtained a 30 percent market share by adopting international structures and high standards since its inception. "For more than a year and a half we prepared the necessary documents," recalls Mr Avni Ponari, SIGAL's General Director. "In order to have enough financial support we invited two large investors. It was difficult to persuade them because the memories of pyramidal schemes created a total mistrust not just in business but in every aspect of life as well."

Created in 1999 with \$400,000, SIGAL has gone on

to expand its current 4 companies (Life, Non-Life, SIGAL Kosovo and Macedonia branches) and has now reaped ten times its original investment, boasting a dedicated workforce of 400 employees and an additional 400 agents in the region. In 2003 SIGAL sold 12 percent of its shares to the Albanian American Enterprise Fund (AAEF), thus multiplying its capital three times and increasing its power and corporate efficacy.

"Major clients have taken up policies with SIGAL including: airports, airline companies, banks and almost all World Bank and EBRD projects."

Mr Avni Ponari, SIGAL's General Director

A groundbreaking development in the Albanian insurance market is the drive to supply private and corporate clients with high-risk insurance cover. Mr Ponari details his company's strategy: "We offer the Albanian and foreign markets all kinds of insurance and investment products including riot and rebellion insurance. Major clients have taken up policies with SIGAL including: airports, airline companies, banks and almost all World Bank and EBRD projects."

The rapid growth of Albania's insurance sector signifies a growing confidence in the country's once lamentable safety and security record. In turn, the encouraging signals being transmitted from this are spurring on economic growth and investor interest – two assets that the government, corporations and citizens look set to protect for some time to come.



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Foreign Diversified Investing

"We are creating a friendly, pro-export [investment] environment here," asserts Albania's Prime Minister, Dr Sali Berisha, while reflecting on efforts to attract foreign direct investment (FDI) to the country. Tax incentives and simplified property legislation are just some of the measures taken by the government in a bid to put Albania among the most attractive countries for investors in the region. "Our goal is to simplify all procedures and create a one stop-shop. Infrastructure and tourism are priority areas; they are linked and vital to each other and represent areas that could produce change quickly. Agribusiness is also a possibility for this country, because the quality of the land is high and we have good human resources."

"We are creating a friendly, pro-export environment here"

Prime Minister Sali Berisha

Albania's closest and most active business allies are Italy and Greece. The countries were the first to understand its people, seeing first hand their willingness and working effort. Telecoms, banks, infrastructure and construction companies have invested to great acclaim and satisfaction. Manufacturing of clothes and shoes have taken up prime export positions and Italian energy group ENEL is even tipped to have interest in Albania's soon-to-be privatized Power Company (KESH). But even before these close

neighbors entered the market, cross-Atlantic ties had already been set in motion. Recognizing the need for the region's transitioning countries to establish a sound free market economy, the United States in 1989 created the Southeastern European Development Act, a congressional enterprise fund to support private sector development. For Albania, the Albanian American Enterprise Fund (AAEF) was created. Its first investment was the American Bank of Albania. The bank actively participates in securing the market. "That money is really designated to help open the economy," explains Jeffrey Griffin, President of the AAEF, "to develop the private sector...to help it become competitive in international markets and to adopt the best and transparent practices so that people will have confidence and invest in that economy." The organization is also a testimony to Albania's ever-evolving relations with the United States. "Albania is the second most pro-American country in Europe after Poland," says Albanian Minister of Economy, Trade and Energy, Genç Ruli. "Although the political relationships are excellent, U.S. economic presence is quite low. The most aggressive U.S. companies that can get access everywhere on the globe do not see the Balkans as a very attractive market...because they are small markets. For smaller American investors the Balkans are too far and they have no information about Albania, what the Albanian economy is like, what resources the country has, what the opportunities for investment are."

But for Finance Minister Bode those trends are



changing: "There is already some interest expressed by U.S. companies, such as General Electric, while Lockheed Martin is already active in modernizing Albania's air traffic control. The Albanian government will encourage such investments and will create incentives to make Albania a more attractive destination and to stimulate foreign direct investments."

■ Shared Visions

If you stayed at the five-star Sheraton Tirana in Albania, then you have experienced first hand a positive development of FDI. The hotel is in fact part of a group that pioneered private foreign investments in Albania. The M.A. Kharafi Group of Kuwait. With a yearly turnover of \$4 billion and operations in more than 25 countries, this true multinational brings its resources, vision and determination to the benefit of the Albanian economy.

MAK Albania is not just a success story for foreign direct investment, but proof that business in Albania is booming. "We set up our contracting branch in the early 90's" says the group's spokesperson. "Our first direct investment was in 1993, with a 10 luxury villas compound in Tirana, followed by Chateau Linza, comprising a motel and a five-star restaurant, residential buildings complex at Linza, the Mali Robit Touristic Village and our group's crown jewel in Albania: the Albanian Airlines and the Sheraton Tirana." Concurrently, MAK Albania won several key infrastructure and landmark projects; The Gulf Mercy Hospital, Durres Port rehabilitation works and Rinas Airport among others.

When the MA Kharafi Group first entered the

Albanian market they were unfazed by the country's fledgling economic status. "All economies, even with the most stable of governments, experience cycles of slumps and booms," says the spokesperson. "It's usually serious and diversified sustainable investments that soften the amplitude of these cycles and eventually end up by stabilizing the economy. Thus, if you have a vision and a government that supports it, it doesn't really matter where you enter in the economic cycle, but rather the outcome in the medium and long run that counts."

You can take it from someone with over 15 years of experience in the Albanian market, the Sheraton Tirana owner: "We see the coming years even brighter and beneficial for all parties."

"...if you have a vision and a government that supports it, it doesn't really matter where you enter in the economic cycle, but rather the outcome in the medium and long run that counts."

MAK Albania

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Investing in Infrastructure

Albania has a grand vision for its future; to become the new hub in the free flow of people, goods and information in southeast Europe. Geographically the country is at an advantageous location, a bridge to Italy via the Adriatic sea as well as land linked to Serbia and Montenegro, Macedonia and Greece. Albania's priority now is to shake off its historic image as an infrastructural gap on the map. The explanation for this rather peculiar void lies in the fact that up until 1990 there was simply no need for roads. Mr Lulzim Basha, the newly appointed Minister of Transport, Public Works and Telecommunication of Albania, clarifies how the despotic Communist Regime that reigned for 40 years in his country kept its populations' freedom of movement under wraps: "Our country had not a single highway, its regions were connected by very poor roads and conditions that were designed to support only a minimum of traffic under the previous regime in which the ownership of private vehicles was prohibited." When Albanian democracy was reborn in 1991, the lifting of these restrictions effected two major changes. Free movement resulted in demographic shifts towards the capital of Tirana and the free market economy saw car ownership increase at rates not previously seen in the world. "The main projects of the 1992-1996 Government were those of connecting the north with the south and east-west axes," Minister Basha explains. "The north-south axes connects the city of Shkoder and Montenegro to the south, to the city of Vlora and on to Saranda and the Greek border, through a system of highways that would support the projected traffic which has been growing ever since. Our government has a clear priority to finish work in this area, with the World Bank, the IMF, EBRD, and EIB as crucial partners in these development projects."

Albania's infrastructure has also benefited from foreign direct investment in the aviation sector. On the 23rd of April 2005 management of Albania's only international airport was handed over to the Tirana Airport Partners (TAP), the Concession Company owned by three shareholders: HOCHTIEF AirPort GmbH, DEG – Deutsche Investitions- und Entwicklungsgesellschaft

mbH (a subsidiary of the German development bank KfW) and the Albanian-American Enterprise Fund, a fund created by the American government with the purpose of promoting private sector development in Albania. Mrs Anduena Stephan, CEO of TAP describes the project: "The concession took about 2 years to complete and has been characterized by a transparent and cooperative structure. We have structured the redevelopment of the airport in terms of upfront investment of more than \$53 million which is 100 percent privately financed." The agreement includes the creation of new passenger and cargo terminals, a 4.5-mile access road

"For a long period Albania was cut out. It is time to put this piece of the mosaic back"

Transport Minister Lulzim Basha

and increased security measures, like the construction of an inner perimeter road, which have already secured new operations by major airlines. "Tirana International Airport has at present twelve international airlines operating and Alpi Eagle has confirmed scheduled flights from Italy," says Mrs Stephan. "We have positive intentions by Lufthansa and British Airways to start summer schedule operations in March 2006. With the new terminal we will create a capacity of 1.5 million passengers expandable to three million. Tirana International Airport "Nene Tereza" at present has about 730.000 passengers per year." TAP will manage the TIA under a 20-year BOOT (Build-Own-Operate-Transfer) concession, with the most important upgrades projected to be completed by 2007. The TAP model is expected to catch on elsewhere in southeast Europe, as it has also managed to attract major U.S. investment. Lockheed Martin is involved with Albania's Air Traffic Control and GE has expressed interest in the Tirana-Durres Rail link which would call at the airport. Already a sponsor of local



Tirana Airport Partners

Accomplishing a Paradigm Change

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Tirana Airport Partners

Tirana International Airport


communities, TAP also intends to showcase Albania's culture. "The Art-Port concept is the integration of original Albanian art in the Airport, to bring in a feeling of not just going through a facility, but also of visiting a piece of art. This is how we would like to see ourselves: as a proactive contributor to the arts, community and development of the country."

The domestic need for infrastructure also brings with it the possibility to become an important link in the regional transportation system. Opening up a major artery in the east-west route, known as Corridor Eight, is a major priority for Albania. "Corridor Eight," says Mr Basha, "connects the port of Durres, which is one of the biggest harbors on the eastern coast of the Adriatic to

the system of roads and railways going through FYROM and Bulgaria, spreading northwards to major European corridors and southwards all the way to Istanbul. There is huge investment in the Durres harbor, the main terminal now for passengers and goods, enlarging the port for bringing in big capacity ships as well as dredging and widening the entry canal and ongoing investments to facilitate oil shipments." The port of Durres has an approximate commercial capacity of 3 million tons. The approach channel has a depth of 11 metres allowing ships up to 20,000 dead-weight tons to discharge at the port. 1.2 miles of operational quays and 11 berths allow for the handling of various bulk, container, Ro-Ro and heavy lift cargoes as well as 5 passenger ferries at a

time and services for 650,000 passengers per year. A \$50 million investment has been made for the independent Port Authority to modernize facilities, operations and security systems with donations by the World Bank, EIB, TDA and the European Community.

These developments are key to Albania's economic emergence according to Mr Basha. "For a long period Albania was cut out from the geography of the region. It is time to put this piece of the mosaic back through major investments in road, rail and port infrastructure," he asserts. "Our immediate neighbors and European investors who want to connect with the other Mediterranean regions will discover that going through Albania will be not only cheaper and profitable but also pleasant. This is the mission of the government, to make Albania an integral part of the European mosaic, as it deserves to be geographically, as it can very well be economically."



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Funding the Trust

■ How Albania's banks are gaining respect – and capital

A nation's economic stability is influenced by many factors. A strong GDP, a clear financial policy, healthy competition and international relations all contribute to establishing fiscal equilibrium. But the principal foundation of any society is far less tangible than the mathematical architecture of sums and equations. In 1997, Albania was shaken by the collapse of a Pyramid scheme in which 75 percent of its population was involved. Widespread illegitimate lending practices almost brought down the economy. As a result, the state savings bank implemented an immediate halt on all loans. Public confidence in the local financial system was lost and the myth that Albanian banks do not provide loans spread across the country and beyond. Not only did the Albanian economy suffer but also foreign investors were steering clear of its market.

Minister of Finance Ridvan Bode notes that there has been a silver lining since then: "Economic growth was around 5 to 6 percent these last years. However, in spite of a strong GDP, the trade deficit is increasing every year." The deficit is directly linked to the recently privatized Albanian Savings Bank, now Raiffeisen, which had 70 percent of savings dedicated to treasury bills. Mr Bode plans to contain the deficit at 4 percent of GDP. "We are asking private and public companies to buy these treasury bills so there is competition leading to stability of interest rates. This is the main objective in order to maintain monetary stability. We hope the privatized banking system and private sector companies will play an important role to support the financial market."

Like many other CEO's and Officials in Albania Mr Adrian Fullani, Governor of the Bank of Albania, shares this outlook. "The Bank of Albania aims to formalize inflation targeting over the medium term. Accordingly, it has initiated steps to improve its governance structure and strengthen its analytical capacities, with technical assistance from the International Monetary Fund." Mr Fullani believes Albania's transition to a Free Market Economy has on the whole been positive. "A reference to other successful regime shifts in European transitioning and developing economies can be made, such as the Czech Republic, Hungary, Iceland, Poland and Turkey. Unlike most of these countries Albania has managed to achieve stable and relatively low consumer price increases during the last years."

Banks of foreign capital largely dominate the Albanian banking sector. Austrian Raiffeisen holds the top position. Helped by CEO Steven Grunerud's swift modernization process locals took favourably to the acquisition and accounts increased. "The savings bank was examined and found to be a decent bank, given its size, structure and potential. We believe in the economy and government of Albania. They are certainly moving forward," verifies Mr Grunerud. "It has a fairly strong GDP growth, inflation and exchange rates are stable and Albania itself is opening up."

In 1998 the American Bank of Albania was established under the auspices of the Albanian American Enterprise Fund (AAEF), a private, non-political and non-profit corporation with the primary purpose of promoting private sector development in Albania. The bank, set up with \$30 million US government grant as part of the Southeast European Development Act, invests in Albania's private sector. ABA's CEO, Lorenzo Roncari, says the bank has introduced new services to Albania that customers are embracing en masse. "In 2004 we were the first to receive a VISA franchise and now we also offer Master Card. We have 49,000 customers and 26,000 credit cards in one year. Practically half of our clients already use cards. Albania is rapidly picking up technology. We have more transactions by cards than by cash"

■ THE HELLENIC CONNECTION

Of the five major banks currently leading the Albanian market two are Greek owned. Tirana Bank is a subsidiary Greece's Piraeus Bank Group. Its Managing Director, Mr Dimitris Frangetis, explains their motivation for entering the Albanian market at an unstable period in 1996: "We always believed that irrespective of initial difficulties the country would surely develop as a result of the desire of its people. Such development would be facilitated – as in fact has been the case – by the overall improvement in the region."

Founded in 1916, Piraeus Bank Group is one of the most dynamic financial organisations in Greece today. In 1998, the Bank took over the activities of Chase Manhattan in Greece, acquired Macedonia-Thrace Bank and later the specialised bank Credit Lyonnais Hellas. The group is present in the USA, as well as in UK, Romania and Bulgaria, Serbia and Egypt.

Tirana Bank has been expanding rapidly with 30 branches throughout Albania and is in fact the 2nd bank in terms of loans and branch network. Pre-tax profits in 2004 amounted to \$4.1 million. Albanians working abroad, particularly in Greece, are another factor strengthening the economy, as thousands send back remittance funds to their family. Albanians are familiar with the Greek banks' profiles and therefore trust them to handle their transactions.

Major European player Alpha Bank has also invested in the Albanian market by opening up shop under its own name in 1998. Their operational network may consist of 8 branches but their big International clout enables Alpha to finance big projects like the Tirana International Airport, Telecommunications and constructions.

With a market share of 14.5 percent for loans and 5.5 percent for deposits, Alpha's growth strategy highlights extension of its traditional network as well as through alternative channels. Manager of Alpha Bank in Tirana, Mr. Andreas Galatoulas says trust is gained by experience: "Being a branch of Alpha Bank Athens, with a history of more than 125 years gives us a higher public confidence, know-how, the latest technologies, and

increased financial capabilities to support the needs of the local economy for big projects and also to satisfy our customers' requirements at the same time." Expansion and growth for Mr. Galatoulas entails "extending the traditional network, introducing alternative channels, widening the range of products and services and improving its quality."

Happily swimming amongst all these foreign giants is a recent newcomer in the banking environment, Banka Popullore. It was established in March 2004 with the participation of 30 shareholders, all Albanian. In just two years Banka Popullore has managed to attract 15,000 clients and run a profit with total assets amounting to \$150 million. General Manager Edvin Libohova expects his bank to have a 2006 pre-tax profit of over half a million Dollars. "We intend to be an active player in the market, using our advantages of being a local

bank, with local shareholders, serving the client fast and professionally," says Mr Libohova. "Our market share for the moment is about 2.5 percent and for the network we are 4th." Banka Popullore is planning on extending its current 22 branches to 30 in 2006. Quizzed about his international competitors Mr Libohova acknowledges the value of their presence. "In banking foreign direct investors are very important, more than 90 percent of this sector is owned by foreigners. I consider the most important reform to be establishing and developing the capital market in Albania."

Still a lot needs to be done to establish this market as Minister of Finance Ridvan Bode explains: "The Tirana Stock Exchange legally exists but we have a lot of things to implement in order to give the Stock Exchange a legal status and to transform this informal economy into a formal one."

Remittances: connecting Albanians around the world

Over 1 million Albanian citizens are currently living abroad away from their country of birth. They have moved overseas, away from family and friends, to seek employment and perhaps a better quality of life – part of a trend of labour mobility being witnessed the world over. Albanian communities are settling in Western European countries such as Italy, Greece and Switzerland and they are sending money back home to provide regular financial support for loved ones – often relieving the burden of paying for education for their children or the medical costs.

Remittances, which are sums of money sent between individuals, play a vital role within the Albanian economy and according to the National Bank of Albania represents approximately 15% of Albanian GDP, which is more than the combination of foreign direct investment and exports. Around \$600 - \$800 million is received in remittances annually which bolsters the economy and

helps to offset Albania's trade deficit.

Western Union, a leading international money transfer company, has witnessed the growth of remittances firsthand through the development of its business in Albania. In November 2005, Western Union celebrated 10 years of operations in Albania. Through its co-operative and successful relationship with the Financial Union of Tirana - its agent partner in Albania, Western Union now has more than 170 agent locations throughout the country. Its money transfer services are now available as a vital lifeline for Albanians living in some of the remotest parts of the country.

Edmond Leka, CEO of Financial Union Tirana says: "Our relationship with Western Union is a true partnership and together we have the ingredients to provide exactly what our customers need. Through our network of outlets, particularly in rural areas, we can ensure that our customers are never far away from accessing money transfer services, so they can easily collect their funds upon which they rely. Western Union's proven track record of security brings peace of mind which is invaluable to our customers."

Hikmet Ersek, Senior Vice President of Europe, Middle East, Africa and South Asia at Western Union says that: "thanks to the understanding and trust that Albanian customers have in the Financial Union Tirana, Western Union is able to bring its services in an environment where customers feel comfortable." Western Union continues to expand its presence in Albania, Kosovo and Macedonia to be in the places where its customers most need the service.



Mr Hikmet Ersek and Mr Edmond Leka celebrating 10 years of Western Union presence in Albania

Joining the Institutions

In the early 1990's Albania began an intensive effort to make itself a diligent and active member of the international community. This effort focused on several fronts with EU and NATO membership being the highest priorities. At the same time the country made important commitments as a member of the Council of Europe and the WTO.

Being a European nation, Albania has made integration in the European Union the most important strategic project for the country. Albania was the first among the southeastern European countries to have signed a Trade and Co-operation Agreement with the EU, in 1992. The agreement provides for the harmonious development and diversification of trade between the EU and Albania, as well as for the development of commercial and economic co-operation between the parties. Albania's EU accession was temporarily delayed by the economic unrests of 1997. EU-Albanian bilateral relations picked up again and in 1999 the EU-proposed Stabilization and Association process (SAP) was initiated. The main goal of the SAP is to stabilize the countries concerned while laying the foundation for further reform and faster transition. In its framework Albania has undertaken to meet the political and economic requirements set by the EU for prospective membership. Following the EU decision in June 2001 to proceed Stabilization and Association Agreement (SAA) negotiations with Albania were officially opened on 31 January 2003 and started in February 2003. The European Council Summit that took place in June 2003 in Thessaloniki confirmed the SAP as the EU policy for southeastern European countries and reaffirmed the EU perspective for these countries including Albania. Therefore, Albania is eligible for EU accession and may join the EU once it is ready.

"Albania currently has an excellent cooperation with the EU and NATO"

Prime Minister Prof. Dr Sali Berisha

The Annual Report on the Progress of the SAP which was made public on November 9, 2005, contained a landmark recommendation made by the European Commission on its "2005 Enlargement Strategy Paper" communication. It declared that "Albania has made sufficient overall progress in the reform areas essential for implementation of its future SAA; this paves the way for the conclusion of negotiations."

Membership of the North Atlantic Treaty Organization (NATO) has also been one of the country's highest priorities. Albania was one of the first ex-communist countries to make an official request for NATO membership and, together with Macedonia and Croatia, has the status of official aspirant for membership. Prime Minister Professor Doctor Sali Berisha says that joining NATO is a matter of "consolidating democracy." According to Mr Berisha: "Albania currently has an excellent cooperation with the EU and NATO; we are in Afghanistan and Bosnia Herzegovina with NATO. I intend to concentrate our efforts mainly on quality. It is better to have a small efficient army, which will cope successfully with natural disasters, security issues and counter-terrorism than a large non-efficient one. Our armed forces had 350,000 people; we have to downsize it in proportion to the size of the country." Prime Minister Berisha adds that with his government's efforts Albania: "will be present in the first NATO enlargement."

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MIS EN BOUTEILLE À LA CUVÉE DE L'AMITIÉ

Progressive Communications

The oft-quoted theory that developing nations will at some point benefit from their underdeveloped status is starting to prove itself across the globe, and never has it been more clear than in the telecommunications sector. As experience in emerging economies has shown, this sector stands to gain exponentially from liberalization of the market. In Albania, leaders in this field include Albtelecom (the sole provider of fixed telephony) as well as two mobile service providers, AMC (part of Greece's Cosmote group) and Vodafone.

As Albania emerged from communism, the challenges created by a downgraded fixed-line system were overcome with the rise of mobile telephony in 1996. "The right policies in this sector can yield immense results," assures Lulzim Basha, Minister of Telecommunication, Transport and Public Works, when asked about the growth of this sector. "The telecom sector has enjoyed the benefits of major investors. It has been a success story as far as investors are concerned. The returns on these investments have been reaching record high yields compared with the region."

The privatization of Albtelecom presents another great opportunity for foreign investors to reap the dividends of Albania's blossoming telecoms market. Apart from being one of the largest government assets to be privatized, Albtelecom has also started Eagle Mobile Telephony having secured the third license in Albania. In Minister Basha's own words: "Albania is open and waiting for investors interested in this sector." Albtelecom counts 2,200 employees. Turnover in 2004 totaled more than \$120 million coming from the 240,000 subscribers and other digital services. The implementation of Eagle's services will substantially increase the company's subscriber base. Net profit rose at an impressive average of 65 percent during the last two years. "Albtelecom hopes to take advantage of the opportunities arising from foreign investments," says Ilirian Kuka, General Director of Albtelecom. "Development of the third mobile Company in the country, and extension of the fiber optics network are of particular interest to us." Albtelecom has direct connections with more than 20 countries and is intent on improving relations with international partner companies along with its regional network extensions. Cooperation in technical, financial and marketing objectives will place the company in a stronger position at the point of privatization – a process which is expected to be completed in 2006.

AMC was the first and sole mobile operator from 1996 until February 2001 and has made its way to the top of the Albanian mobile market, becoming a model private enterprise. As the first mobile company to give Albanians the freedom to communicate at any time and place, including GPRS and MMS services launched in 2005, AMC's customer base rapidly increased from 15,000 clients at the time of privatization in 2000 to its current 730,000 clients, reaching a market share of 52 percent. "AMC's financial performance ranks among the best in Europe," enthuses Stefanos Oktapodas, AMC's Managing Director. "In 2004 company rev-

enues reached \$121.2 million, 13.5 percent higher compared to 2003 despite the intense competition in the Albanian mobile telecommunications market." Little wonder then that AMC shares bought by the COSMOTE TELENOR Consortium (85 percent in

"Every challenge that we face here – if looked upon with an entrepreneur's eye – can present immense possibilities."

Lulzim Basha,

Minister of Telecommunication, Transport and Public Works

total) became their most profitable foreign investment. Recognizing the importance of mobile telephony for connecting people in Albania, AMC extended its network to cover even the remote regions of Albanian territory, reaching some 95 percent of its population. In addition, the company is a significant social and economic contributor to the country. "In the past five years AMC has contributed almost \$120 million in taxes and social insurance while, with most of our human resources being Albanian, we contribute to the development of the domestic employment market. We also actively participate in the country's cultural life by supporting the most talented sportsmen and artists," concludes Mr Oktapodas.

The Leading
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in Albania



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Vodafone runs as a close second with 713,000 clients. Vodafone Albania Sh.A was awarded Albania's second GSM mobile phone license in June 2001 for \$38.1 million, the highest bid in an international tender, and is owned 100 percent by Vodafone Group Plc. To ensure uninterrupted coverage nationwide from its 311 base stations, Vodafone has made considerable investments to overcome infrastructure challenges – from installing generators to extending the KESH public power infrastructure. For enhancing its network expansion and ensuring the offering of high quality products and services, Vodafone was granted a loan of €85 million by the EBRD, IFC (€35 million each) and Greece's Alpha Bank (€15 million). Vodafone has become a landmark of foreign investment directly benefiting Albania's economic and technological progression. "One of our strategic goals is to delight our customers and we strive every day to understand and fulfill their needs, while maintaining our competitive edge. Along with Vodafone Group strategies and business principles, we based our strategies by developing a constructive dialogue with our business stakeholders," says Thomas Papaspyrou, General Manager of Vodafone Albania. "This dialogue aims to address corporate responsibility issues, our contribution to the society and to the economy in general. Our contribution to society and communities is one of the aspects that differentiate us as a business in this country, to promote and develop cultural heritage, to care for and protect the environment, hence becoming a unique example of corporate responsibility in the Albanian market."

There is another important player in the Albanian

communications market. In a country that has not yet been massively penetrated by email connectivity, traditional post is still the main manner of correspondence. Albania's state postal company, Albanian Post (Posta Shqiptare), has a burgeoning network of 546 post offices and a staff of 1,644 employees. As part of its expansion drive the company has moved into corporate services, handling postal and financial requirements for some of the country's largest companies with domestic and foreign capital. Apart from delivering an average 7.5 million postal items per year Posta Shqiptare has also, since 2003, taken over the noble task of delivering pensions to Albania's rural and urban population. Demand for postal services in Albania is pegged to continue rising at a healthy rate for the foreseeable future. Interest in the region's postal companies is picking up. Postal privatizations are planned in many neighboring countries. Albanian Post is a joint-stock company with the state currently holding 100 percent of the shares. During the previous year the company's branches accepted 5.9 million items over its counters from customers eager to send best wishes or packages to their loved ones as well as business correspondence. The extensive logistics performed by Albanian Post show that it is a much depended on part of Albanian society, delivering its service across the country, not only in the capital Tirana, but from the western shores to the eastern mountains and from the northern forests to the southern springs.

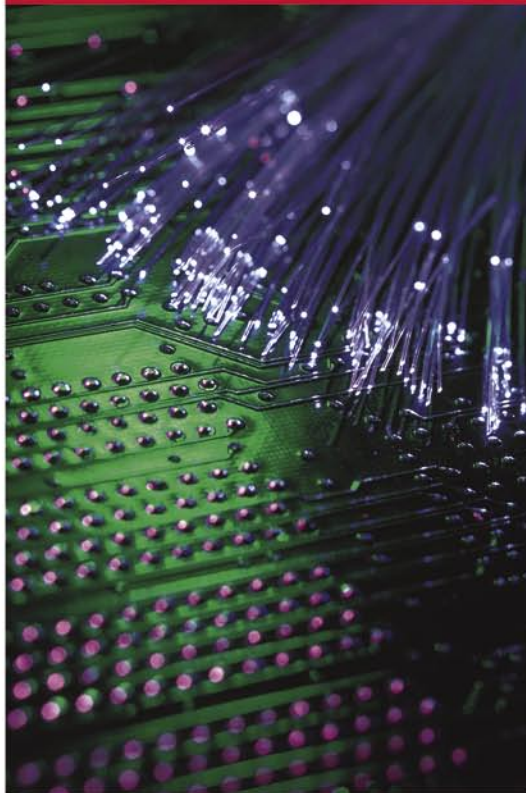
"The telecom sector has been a success story as far as investors are concerned. The returns have been reaching record high yields"

Lulzim Basha,

Minister of Telecommunication, Transport and Public Works

Although Albania's communications market is one of its strongest and fastest growing sectors, there are still many issues to be dealt with. Nevertheless, Minister Lulzim Basha maintains a positive outlook: "Every challenge that we face here – if looked upon with an entrepreneur's eye – can present immense possibilities."

There are 4 insurance companies operating under the trade name "SIGAL", three Non Life companies (operating respectively in Albania, Macedonia and Kosova) and one Life insurance company (operating in Albania). All these companies have the same shareholding structure and core management. In the last three years SIGAL Non Life (Albania) has been the market leader with 32% market share (premium income).



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Private Sector Entrepreneurship

There is no doubt that Albanians are industrious, but how does Albania fare in industrial progress? Who are the high-flyers and leaders of private sector entrepreneurship? Time to meet some of the home-grown makers and shakers of Albanian commerce.

■ Pipe Dreams

Dionis Teqja has made a remarkable career out of manufacturing and exporting PVC and high-density polyethylene pipes. His company, Teqja International, is currently not only the sole pipe producer in Albania, first to be awarded in 2003 the ISO 9001 – standards of 2000, but also the market leader in the region. Producing 1,100 tons per month of corrugated pipes for natural gas, sewage, hydro sanitary, agriculture and water supply systems, Mr Teqja has expanded his investment to profitable results. “In 1998 we designed an industrial complex to produce plastic pipes with the latest technology, fully equipped and according to EU standards” says Mr Teqja. “We invested \$6.4 million on our own. In relation, the profit was \$7.24 million per year running on 40 percent of our capacity. Identifying the potential of the company, the Albanian-American Enterprise Fund became a 24 percent shareholder of Teqja International in 2004. “The main reasons for this alliance were the aim of renewing our technology and the need of having a reliable partner for expanding our business outside Albania” explains Mr Teqja. With our know-how and management experience, the AAEF’s networking capacity and support, and due to new agreements between the government and other Balkan countries, the company has successfully expanded into the region. “We are able to export without passing through customs. This has helped a lot. 30 percent of our annual production goes for export which accounted for \$543,000 per month of net export profits in 2005.” He foresees 2006 to be a year of “very fast development.”

■ Group Dynamics

Choice and variety; that’s what Albanians were given at the fall of communism and some people have even made it their business. Bring a bottler, a distributor, advertiser, merchandiser, constructor and real estate agent together and you have the Agna Group. Its first company, Anonime Kakavi, was set up in 1991 as an importer and exclusive distributor of brand name dry foods, detergents, cosmetics and cigarettes. A year on, Alfa S.A. was founded as a distributor of Amstel beer and Pepsi Co., expanding in 1997 with a modern water production factory (Glina) and adding many more drinks to their portfolio. The two combined companies bought Albartex in 2001 entering the outdoor advertising sector with a 65 percent market share. The technology and communications network of stores TECOM followed in 2002. Agna Investor completes the picture as the group’s construction and real estate agent. “Our strategy for growth reflects the needs and demands of our customers and consumers in the present market as well as trying to foresee future trends,” says Agna’s President, Mr Vassilis Natsis. “In the conditions of economic interdependence in the world, business can help consolidate the economic profile of the country by building bridges for foreign investment, and Agna Group certainly does that.”

■ Shopping Therapy

Consumer confidence was given a boost recently with the inauguration of the Univers Shopping Centre on October 1st 2005, the first mega mall in Albania and with 13,600 square metres of shops and 600 parking spaces easily the largest in the Balkans. Developed by the Mane TCI company with an investment value of \$12 million, the shopping mall, located 3.7 miles west of Tirana’s city centre, consists of the 4000 square metres large Euromax Hypermarket. Transitioning from traditional corner shopettes and uncoordinated wholesale markets to a 20,000 article, European standard supermarket is a big step for Albania and has been positively received by the newly attracted customers. Additional crowd-pullers at the mall are electronics retailer Neptun, fashion outlets like Tommy Hilfiger, Mango and Okaidi, lumber and boards supplier Masisa and a plethora of boutiques and services. Owner Samir Mane expects the mall will attract 2.5 million yearly customers. “Until 2008 we are thinking of opening seven more malls in Albania and a central distribution warehouse. These investments, based on a thorough market study, will reach \$18.1 million. Institutions here as well as foreign investors are ready to finance in this field without reservations.”

■ Grand Wine

One of the articles you may find at the Euromax hypermarket is a very palatable wine from a homegrown



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cabernet, merlot and calmet variety. Its name is Medaur and carries the deserved title of 'Grand Vin d'Albanie'. Deriving from a controlled production of 20 carefully cultivated hectares of grapes, this labor of passion was started without the expectation of harvesting instant benefits. Through his dedication and business experience, Enver Guga, General Manager of Kantina Miqesia, the Albanian name for Cuvée de l'Amitié or Friendship Canteen, has managed to make a top quality wine for the domestic and export markets. "The reason why I invested in wine is because the land and climate are very suitable for grape cultivation in Albania". Mr Guga built a \$2 million factory with computerized control of fermentation, treatment, storage and bottling. Production in 2005 was 250,000 liters. By limiting the usage of chemical


elements Mr Guga aspires to obtain an organic certification. His background is a rich history of entrepreneurship having also set up AlbDucros and Albtrade Pharma. AlbDucros specialises in collecting and exporting medicinal herbs, a major exporter in an import heavy economy. And Albtrade Pharma is Albania's largest importer and distributor of pharmaceuticals representing 60 percent of the sector's largest western companies. Friendship Canteen's objective, says Mr Guga, is "to increase production through supporting farmers with the technology and finances to produce an excellent variety of grape." Undoubtedly vintage years lay ahead.

■ Finger Food


The underdeveloped status of Albania's meat processing industry prompted Adnand Hako to create HAKO, a speciality salami and sausage maker. Even though the competition is extremely strong, with 60 firms vying for a market slice of 3.58 million people, HAKO is confident the \$4.5 million it invested will give them a cutting edge. "Our competitive advantage is the adaptation of the products' flavor to the Albanian traditional taste," says Adnand Hako, adding continuous market research into consumer opinion and maximum correctness in state, supplier and client relations. According to a 2003 industry profile conducted by the Albanian Enterprise Development & Export Markets (EDEM), an Albanian consumes an annual 79.5 pounds of meat per year of which 12 pounds are sausage and processed meats.

Domestic demand is rising and so have regional export opportunities. Mr Hako says commitment to quality and compliance with EU standards will bring "a gradual and secure development for the Albanian economy, within which HAKO has a sustainable future as a secure regional partner."

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Albania's Tourism Potential

A warm and welcoming climate for Investment

"Our objective is to welcome 500,000 tourists a year and to have annual revenue of \$800 million from tourism." Albania's Minister of Tourism, Culture, Youth and Sports, Bujar Leskaj, is clear about his country's tourism development strategy.

"During the upcoming four years we want tourism to create around 100,000 new jobs and to have a 10-15 percent increase in its contribution to the country's GDP," says Mr Leskaj, adding that by intertwining tourism with culture Albania can revitalize its natural and traditional assets.

Such an achievement is the government's top priority, not just for the sake of attracting tourists to this once lost land, but primarily for the improvements tourism will bring to a great deal of challenges Albania currently faces. Direct Foreign Investment in the country's tourist industry will benefit infrastructure, ecology and preserve the nation's ancient cultural heritage. Albania currently counts 400,000 visitors annually, mainly sea and sun tourism from Kosovo and Macedonia, but there is a growing niche of foreign tourists interested in cultural holidays. Tourism Minister Leskaj intends to develop the geographical opportunities his country has to offer: "Mountain and adventure tourism, as well as ethnographic and ecotourism are all considered very important not only for successfully competing in the regional market, but at the same time promoting and protecting all natural and cultural resources in the country." A number of such alternative initiatives are supported by foreign aid organizations, like the adaptation/renovation of residences on lake Prespa by GTZ (German corporation for technical cooperation) to conform with ecotourism standards, or a


World Bank 'Integrated Coastal Zone Management and Clean-Up' program, aimed at increasing public investments related to infrastructure development on the south coast of Albania. The program comprises of a general fund of \$37,293,000 from different international donors as well as the Albanian Government, to be implemented over a 7-year period.

One of the most beautiful areas on Albania's south coast is that of Saranda. As it is one of the most culturally rich and naturally attractive districts of Albania, Saranda has attracted various studies into making it economically sustainable through tourism. Only 5 nautical miles across from the Greek Island of Corfu, the picturesque port town harbors great potential for becoming Albania's prime tourist location. Mayor Edmond Gjoka says Saranda "has a fascinating terrain and is rich in cultural and intellectual traditions. Absolute eminences of the district are the archaeological world heritage site of Butrint, Finiqi and historic monuments such as Lekuresi Castle, the Monastery of 40 Saints, mosaics of Roman villas, the Saint George Monastery, Dema Wall and the medieval monastery of Mesopotam."

Speciality tourism is the fastest growing segment of the international tourist industry. Visitors come for a learning experience about local culture, history and environment while staying in small quality hotels of local character, eating the best local cuisine and shopping for local produce. This is where Saranda can secure a sustainable growth for their local industry at the direct benefit of its citizens. Its beaches are not to be neglected either, offering the same warm Mediterranean climate as many of Albania's neighboring countries. Only a few miles north of Saranda lies the bay of Kakome, where French resort operator Club Med has plans to build a holiday paradise in cooperation with Albanian counterpart Riviera. This project would really put Albania on the tourist map and in operators' brochures. A Club Med executive had inspected the same beach 20 years before but because of communist resistance at the time the idea became a shot in the dark.

Tourism Minister Bujar Leskaj remains optimistic that this time his country will persevere as a holiday location for visitors from far and wide. "We will make Albania a well known destination for tourists sharing a special interest in the Mediterranean basin. The implementation of sustainability principles, the awareness for environmental issues and the protection and development of cultural values are the most important part of our Tourism Development Strategy. We are one of the oldest people in Europe. By working on a better climate for foreign investors and conveying the new image our young, vibrant country is building, we will be able to improve our image hour by hour and day by day."

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