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ALBANIAN ENTERPRISE DEVELOPMENT & EXPORT MARKETS SERVICES



Albania Enterprise Development & Export Market Services

(EDEM)

ANNUAL REPORT

For the period

15 September 2003 through 30 September 2004

Prepared by

Development Alternatives, Inc.

For

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Contract No.: 182-C-00-03-000108-00

TABLE OF CONTENTS

SECTION	PAGE No.
A. Activity Summary	2
Collaboration	4
B. Cluster Activities	
Meat Processing	6
Herbs/Spices	10
Specialty Tourism	16 3
Leather Goods / Shoe Production	22 15
C. SME Development	23
D. Marketing	
DE. Business Environment	26
National Competitive Conference	16
Anti Corruption	17
EF. Communications	27 19
FG. Administration	32 0
Annexes	23

Albania Enterprise Development & Export Market Services

[EDEM]

The EDEM project officially started on September 15, 2003. This first Annual Report covers the period from EDEM's beginning through September 30, 2004. Incorporated by reference in this Report are EDEM's previous quarterly reports and its semi-annual report covering the first six months of the project.

A. ACTIVITY SUMMARY

EDEM's first year's activities focused in four major areas:

- 1) establishing relationships with key organizations and individuals that support development of the Albanian SME community;
- 2) increasing the government's and public awareness of the need to strengthen the competitiveness of Albania's private sector;
- 3) initiating activities in the meat processing, herbs & spices, specialty tourism, and leather goods/shoe production industries; and
- 4) developing the project's implementation strategy and operating processes.

Highlights of Year 1 Activities:

- EDEM held two national workshops on competitiveness (December and June) attracting representatives from the business community, government ministries, NGOs and donor organizations. The events significantly raised Albania's awareness of the need to strengthen the competitiveness of its private enterprises.
- EDEM and its implementing partner, the Albanian Center for International Trade (ACIT), have organized four industry-based cluster groups – meat processing, herbs & spices, specialty tourism, and leather goods/shoe production.
- EDEM Meat Processing Cluster organized a mini-fair in July with 12 firms exhibiting specialty meat products to over 150 representatives of area hotels, restaurants and supermarkets. At the event, three firms negotiated continuing contracts with new buyers.
- EDEM Specialty Tourism Cluster organized two travel fairs (May and September) involving over 35 organizations at each event offering specially designed in-country travel packages to a combined audience of over 550 attendees.

- EDEM Herbs and Spices Cluster initiated two market studies to identify opportunities to move Albania herbs/spice companies away from sales of low value bulk commodity products to high value processed products.
- EDEM has broadly spread knowledge about competitiveness to the Albanian public by attracting extensive media coverage of its activities from as many as 15 television stations, two radio stations, seven daily newspapers, several magazines, a number of international media outlets, and BBC and Voice of America coverage.
- EDEM has focused and updated its implementation strategy based on Year 1 lessons learned to more effectively support private enterprise development in Albania.

Project modifications:

Based on its experiences in Year 1, EDEM proposed a number of changes to its implementation approach that it believes will more effectively deliver needed support to Albania's nascent business community. To support those proposed changes, EDEM prepared and submitted to USAID-Albania an EDEM Strategy Update in mid-September.

EDEM does not propose to change the original goal of the project – strengthening the competitiveness of the Albanian private sector. However, recognizing that Albanian firms have had limited years to develop and mature, their ability to compete on an equal footing with more sophisticated enterprises from other countries, both in domestic and export markets, needs extensive strengthening.

Strict reliance on the cluster approach as first applied by the project will, over an extended period of time, support general industry growth, but will have limited immediate impact in upgrading specific needs of individual firms and their ability to compete. EDEM believes, and has thus proposed to USAID-Albania, that significant attention must be paid to providing firm level assistance if Albania's private sector is to become competitive in the various market places. EDEM is not abandoning the cluster approach, and will continue to work with clusters to address issues of industry wide concern. However, to support industry growth, EDEM will place considerable emphasis in the coming year on working with leading companies to strengthen their business skills, increase the quantity and quality of their products, and support their efforts to expand in current markets and to penetrate new markets.

For details of EDEM's implementation approach, please review the Strategy Updated filed with USAID-Albanian in September 2004.

Coordination:

While EDEM is a distinct project supported by USAID, it will, where practical, coordinate its activities with, collaborate with, and complement the efforts of other

USAID funded activities and those sponsored by other donor organizations and the government that further the development, strengthening and expansion of Albania's SME community.

In its first year, EDEM has fostered strong relationships with the donor community so that appropriate resources can be marshaled to address the clusters' and individual firm's priority needs. Among the organizations with which EDEM has developed working relationships are:

- Small Business Credit and Assistance Project
- World Learning
- ACIT
- Land O'Lakes
- Media Development in Albania
- GTZ
- IFC-SEED
- Financial Services Volunteer Corps
- MSI and the Anti-corruption Coalition
- Soros Foundation
- Junior Achievement
- UNDP – Trade Liberalization and Promotion
- RDA's
- Local Government Assistance Project
- American Peace Corps, and
- numerous government agencies, both national and local.

Examples of the many continuing collaborative efforts have been given in previous reports. Several key examples relating to the Fourth Quarter's activities are:

- Junior Achievement – discussions have been initiated to develop a public education curriculum directed toward young Albanians to improve their knowledge of and stimulate their interest in issues related to business development and their function in and importance of a free market economy;
- UNDP – coordination efforts to address serious business growth constraints such as VAT reimbursement. UNDP is also quite interested in supporting efforts to alleviate environmental issues connected with the tanning industry, an element to be addressed through ACIT's/EDEM's Leather Goods activities; and,
- Peace Corps – PCVs have greatly supported EDEM's tourism efforts through their work with their local communities and efforts to involve local organizations and school children in activities such as the digital post card campaign and exhibiting at the EDEM sponsored Tourism Evenings.

B. EDEM CLUSTERS

Meat Processing

Initiating Activities

- Industry Profile Development

During the initial months of the project, EDEM prepared a profile on the Albanian meat industry that demonstrated the growth potential of the meat processing industry in terms of increasing its turnover, willingness to adapt modern technology, its linkages to supporting industries, opportunity to increase its work force, and potential to expand its domestic market coverage. Based on these factors EDEM proposed to USAID that a meat processing cluster be organized to assist the industry identify new market opportunities, develop management/operational capacities, improve business environment and strengthen linkages among cluster stakeholders.

- Mobilizing the Cluster by Facilitating Cluster Meetings

In February 2004, EDEM introduced the cluster model to 13 meat processing companies. Companies present welcomed the initiative and expressed a readiness to participate in EDEM cluster activities. Subsequently, a total of 18 meat processing companies have participated in the five cluster activities organized by the project.

At a second cluster meeting organized in March, areas of common interest were identified in which the companies agreed to collaborate and attempt to jointly resolve: improving the securing of raw material; enforcement standards; operational training needs; gathering market information and undertaking promotional activities; and identifying export opportunities.

A third Cluster Meeting was held in April to review the current meat products market situation and identify opportunities for Albanian companies to expand in domestic and regional markets. Discussions focused on the fierce rivalry in the domestic market, where companies compete on the basis of price for customers using the same standard products. It became apparent companies need to develop unique products and specialize if they were to grow in domestic markets and enter export markets. The meat processing cluster gained a more complete shape with the presence at the meeting of representatives from the Ministry of Food and Agriculture, ADAMA and AMPA meat associations, and donor projects working with industry. Based on meeting discussions, an **article** ~~was~~ **article was** drafted and published in the "Monitor" business magazine calling for the companies to specialize their efforts as a way to increase competitiveness.

Two strategic directions for collaborative activities were identified to develop the meat processing cluster: a market development strategy based on intensive market learning in domestic as well as Kosovo/Macedonia markets; and a business capacity development strategy (operational capacity-building) to enable companies to access new markets.

Market Development Strategy

- Domestic Market Research on Domestic Market Opportunities

In May EDEM conducted 20 in depth interviews focusing on high end products sold in supermarkets, restaurants, and mini-markets in Tirana and Durres. The research indicated that while Albanian meat companies dominate in the lower end processed category, they have a hard time competing in higher value products. About 75 % of high end products sold to retail outlets or restaurants were imported. The interviews generally showed that companies must improve the quality of their products, market them at a competitive price, and be able to deliver a consistent supply. A similar marketing approach will be required to access export markets.

Survey results were presented at the 4th Cluster meeting organized in the end of May. The main requirements for introduction of specialty products were described to meeting participants - improvements to distribution channels and organizing promotional activities on launching new products. Nine companies present on the meeting agreed to organize a joint specialized promotional event to present their best products to supermarkets, hotels, and restaurants as alternatives to imported products. Durres, a major Albanian tourist center, was chosen as the venue. The event was to be organized in early July in order to target the coastal hotels/restaurants at the start of the new tourism season.

- B2B Processed Meat Fair

The B2B mini-fair “The Taste of Specialty and Traditional Albanian Meat Products”, the first fair of its kind in Albania, was organised at Adriatic hotel in Durres. Twelve leading meat processing companies participated. Collaboration was established with local governmental authorities including the Durres Chamber of Commerce, and local hotel association to ensure a high participation of local commercial establishments.

EDEM worked closely with the meat processing companies to assist in producing promotional materials and developing displays for their products. Over 150 visitors from Durres and Tirana based restaurants, hotels, supermarkets, donor projects, banks, technology specialists, and meat associations attended the event. The mini-fair was also visited by the Vice-Minister of the Ministry of Agriculture and Food, Durres Prefecture Chief, Durres City Mayer, and Chief of the Albanian Agribusiness Council.

The trade fair proved to be very useful for most of exhibiting and visiting businesses. It was a good opportunity for the meat processors to directly communicate and seek opinions regarding their products from many potential clients. Firms such as Express from Tirana, Piennis from Kucova, and Bardhi from Tirana established new business relationships with retail chains and distributors in the Durres area with a resulting increases in their monthly summer sales by a range of \$ 3000 - \$ 7 000. Abdua Shpk., a processor specializing in Halal products, created new relationships with 4 restaurants at the Durres beach who primarily serve Macedonian/Kosovo tourists. Other companies such as Meat Master and Albidea established new contacts with restaurants and hotels in

Tirana and have been following up with individual company presentations. For Driza and Albidea, the trade fair was helpful in promoting quality domestic fresh meat products.

An important outcome of the mini-fair that will have long lasting effects was the level of cooperation and collaboration that occurred among the participating companies. A good number of the companies had a long history of not cooperating with one another even to the point of trying to undermine others' activities. The mini-fair clearly demonstrated to them the significant advantages and mutual benefits to be gained by collaborating on such simple promotional efforts. Almost all the participating companies expressed in post mini-fair meetings that such activities need to be organised more often and in different regions of the country.

- *Research on Market Opportunities in Kosovo and Macedonia*

During August and September, EDEM completed a comprehensive regional market review in Kosovo and Macedonia to identify the potential for Albanian meat processors to penetrate these markets. The EDEM teams interviewed representatives of the retail/distribution chains, importers, shipping agencies, local USAID meat sector projects, local veterinary inspections, and customs and other government authorities. The goal of the research was to provide Albanian companies with a complete picture on how the markets function, information on local meat products, prices, brands, competition, retail system and distribution channels, and the regulatory environment. Potential partners (importers, wholesalers and retailers) for Albanian meat processors were identified. Information collected has been compiled in a full market research report to be distributed to cluster companies. The core findings will be presented at the next Cluster meeting scheduled for mid October.

Business Capacity Development Strategy

The cluster's business development strategy is directed at management strengthening and increasing operational efficiency, facilitating collaboration between the meat processors, improving the business environment and sourcing market information. The strategy concentrates on the adoption and implementation of international food safety standards, technology improvements, securing raw material with sustainable quality, and management training.

Securing quality raw material was one of the major concerns expressed by cluster firms at an early cluster meeting. In response, a group of meat processors gathered in May to discuss opportunities for establishing mechanically meat de-boning operations in Albania. Mechanical de-boned meat (MDM) makes up from 15 % to 86 % of the composition of different salami products and hamburger. It is currently imported as frozen product and several meat processors have expressed dissatisfaction with the quality they have been receiving. EDEM's preliminary research showed that chicken de-boned meat could be efficiently produced domestically as the price for old hens, slaughtering, and packaging are fairly low. A reasonably small investment in a de-

boning separator would enable MDM production. At least one Albanian company, Driza Co., is pursuing making such an investment.

During August, comprehensive business profiles were prepared on selected meat processors that EDEM believes will benefit from the firm level assistance to be offered as a part of the EDEM Updated Strategy. From the profiles, individual firm development strategies will be prepared. The profile process also supported EDEM's efforts to identify the major constraints limiting the industry's competitiveness development. During the profiling process, a simple database was developed for each company that includes: the ~~firm's~~ firm's existing marketing structures and strategies, its main products and their market progress, inbound and operational logistics, management and human resources, financial systems used, and current, if any, external financing.

Cluster Issues

After eight months of cluster activity, it is clear that the cluster approach is a new concept in Albania and is difficult for the meat processing companies to comprehensively absorb. Confusion about differences between the cluster and the AMPA and ADAMA associations has added to difficulties in understanding the cluster approach. Compounding the situation, historically real cooperation and interaction among meat processing companies has been limited in Albania and both associations are struggling with each other in attracting due paying membership. For a 'proactive' meat processing cluster to involve clear benefits must be tangible to the companies, benefits they do not expect to receive from the competing associations.

Fierce competition in the domestic markets has required meat processing companies to develop aggressive individual marketing strategies. Taking into account the relatively short experience in business and the level of professional and ethical business capacities, it is difficult to get across cluster benefits to the industry.

About 90 % of meat processed in Albania is imported and sourced by a small number of well established importing companies. While the cluster has the potential to help meat processing companies arrange joint purchases to secure the product from the cheapest sources, from discussions with individual companies, strategies to avoid these big 'monopolies' can be dangerous for the businesses and individuals involved.

Different to other food industries, meat products have additional food safety assurance requirements that prevent exporting to most of the regional markets. Free Trade Agreements only eliminate custom duties and do not minimize the need to comply with importing country food safety requirements. Veterinary and food inspection authorities in Albania as well as Kosovo/Macedonia are going through transitional reforms and structures are still heavily characterized by bureaucracy and corruption.

Future Activities

In Year 2, EDEM will provide individual market and business development support to selected meat processing firms. Assistance activities will include: developing individual market strategies to increase sales in domestic and export markets; product development; improvements in sales and distribution channels; and training on marketing and selling techniques. As there is limited effort, although a strong interest, among the meat processors to hold joint promotional activities, EDEM will facilitate and support meat processing cluster exhibitions at several national and regional trade fairs. A second edition of the Albanian specialty meat products mini-fair will be organized. The intent is to make this event an annual traditional promotional opportunity to launch new and improved products.

EDEM will continue to assist companies by regularly supplying information and presentations on markets and latest technologies. Further more, EDEM will arrange round tables with tax authorities and lending institutions, providing technical training on GMP and Hygiene Standards and HACCP certification for firms wanting to improve their product standards. Training would also be offered on management skills and cost accounting/financial reporting.

Herbs and Spices

Activities

- *Industry Profile Development*

Applying the process to determine the competitiveness of Albanian industry sub sectors, a profile on the Albanian herbs and spices industry was prepared and the industry potential was evaluated in December 2003 and January 2004. Based on the profile EDEM recommended to USAID that a cluster be organized around the herbs/spice industry.

- *Mobilizing the Cluster*

Three cluster meetings to introduce the industry players to the benefits of an industry wide approach to reduce development obstacles and pursue development opportunities were facilitated. Each cluster meeting represented a step towards developing an industry strategy by identifying cluster issues/challenges and establishing working groups, and completing a group SWOT analysis.

- *Market Hypothesis*

During the period from April through September, EDEM conducted meetings with the cluster companies and other stake holders to assist the industry develop a market

hypothesis for strategizing future development. Based on the information several development hypotheses were prepared:

- Increase the quality of Albanian herbal products and address higher end regional and global herbs and spices markets;
 - Develop organic herbal production and address growing global organic markets;
 - Diversify and develop new and more sophisticated and value added products; and
 - Increase operational efficiency and productivity and reduce environmental pressure by promoting cultivation.
- Market Research

To assist the industry test the market hypotheses, EDEM carried out three market studies from August through October. ~~These research~~ This research concentrated on:

- Global market opportunities for Albanian organically produced herbal products;
- Global market opportunities for Albanian quality certified herbal products; and
- Global market opportunities for Albanian value added products based on domestically produced herbs

The research was conducted as desk studies by EDEM contracted STTAs. The research concentrated on evaluating opportunities for several of the most promising herbal species that represent the bulk of Albanian production and export. The information and findings from the research will be presented to the herbs and spices cluster in November and will serve as guide in pursuing marketing opportunities.

- Cultivation Survey

A cultivation survey aimed at quantifying the potential for increased commercial cultivation of selected herbal species in Albania was conducted over the period from August to October 2004. Thirteen larger Albanian herbs and spices trading companies and cluster members were surveyed. Results from the survey will be tabulated and presented to the industry at the November meeting.

Highlights of Year 1 Activities

- Organic Certification Legislation

EDEM ~~has conducted series of meetings with responsible agencies at~~ the Ministry of Food and Agriculture ~~in order to explore ways that assistance can be funneled to~~ identify options on making facilitate making the Albanian Law on Bio-certification operational. Through these meetings, ~~the feedback from~~ the herb and spice industry members was brought ~~into~~ the attention of the regulating bodies, which expressed full willingness ~~tofor~~ cooperation with EDEM ~~Project in order to find ways of making the law complete. and~~ the industry. In Year 2 further discussions will be held to develop an operationally effective law.

- Product ~~sD~~ diversification

EDEM ~~has worked a number of~~ ~~conducted numerous visits with~~ individual ~~firm~~ ~~selient~~ ~~companies~~ interested in product diversification and developing new products. New product ideas ~~suggested by EDEM~~ were positively received by several major industry players, who are willing to incorporate new product development and adoption of new production techniques into their business plans. In turn, products diversification will help businesses generate more income utilizing existing market links and/or capturing new market segments. Based on the feedback received, EDEM ~~Project~~ is in the process of mapping a strategy for assisting the interested herb and spice businesses.

- Information Dissemination and Individual Technical Assistance

Information on regional and international importers, input suppliers and equipment manufacturers was disseminated ~~by EDEM~~ ~~to the~~ herb and spice businesses. ~~Individual~~ ~~F~~ follow-up contacts were ~~made~~ ~~performed~~ by the businesses with EDEM ~~support~~ ~~assistance~~. EDEM supported several businesses by providing technical assistance in product quality improvement, new product development, establishment of strategic partnerships.

- Consensus among ~~M~~major ~~I~~industry ~~M~~members

Major industry players, despite ~~operating in a the~~ ~~severely~~ ~~competitive environment~~ ~~competition amongst them~~, ~~came~~ ~~were~~ ~~brought~~ ~~together~~ and reached consensus on several topics for which they solicited support from EDEM. Major topics include: necessary improvements ~~to~~ ~~of~~ the Albanian Law on Bio-certification, VAT reimbursement, establishment of a quality control laboratory, identification of market opportunities, and equipment supply sources.

- Collaboration with Other Donor Activates

~~In Year 1~~ ~~Over the first project year~~ EDEM established collaboration with ~~a number~~ ~~of several~~ development and governmental entities ~~having that~~ ~~complementary or identical~~ ~~objectives and goals in~~ supporting the herbs and spices industry.

- German Technical Assistance (GTZ) ~~--~~ Exploring opportunities for joint approach towards technical training ~~of~~ herb gatherers and organic certification;
- Agency for Promotion of Foreign Investment (ANIH) ~~--~~ Identification of interests in attracting direct foreign investment in the herbs and spices industry;
- Ministry of Food and Agriculture ~~--~~ Initiated discussions ~~in~~ offering support to the Ministry in drafting organic certification regulations;
- Pro-Albania ~~--~~ Collaboration in presenting the Albanian herbs and spices industry ~~at~~ ~~on~~ a regional fair in Austria;
- Kosovo Business Support - ~~(KBS—USAID)~~ Collaboration in establishing business links between Albanian and Kosovar herbs and spices business;
- Regional Development Agency Berat ~~--~~ Assistance in developing herbs gathers training;
- United States Forest Service ~~(USFS)~~ - Collaboration in conducting ~~of~~ a needs assessment for mitigating environmental impacts of the herbs and spices industry

- and offering assistance ~~infor~~ developing natural resources monitoring and sustainable management plans;
- World Learning (~~WL-USAID~~); - Coordinating potential third country and US training for benefiting clients; ~~and~~
 - ~~Land O'Lakes, - Inc. (LOL-USAID)~~; Development of a feasibility study for expansion of the ADAMA ~~_____~~ certification laboratory to perform herbs and spices testing.

Issues and Constraints

~~? Issues and Constraints~~

- Geographic distribution of the core clients. This issue has been identified as a major impediment to more frequent cluster business meetings.
- Small number of companies with large turn over and functional monopolies in the industry resulting in less transparent and ~~competitive liberal~~ business relationships.
- Difficulties in adopting joint approaches to identification and tackling ~~ofwith~~ common business impediments by major companies.
- Following traditional business practices, the industry is predominantly shifted towards serving as a raw material supplier with very limited value adding. Changing ~~the~~ industry mentality as well as ~~Albania's~~ perceived ~~Albania's~~ position as a low end producer is a major issue.
- ~~Lack of direct incentives towards pursuing more competitive business strategies in the project design.~~

~~? Future focus of EDEM's work~~

Future Activities

The goal of EDEM's herb and spice program in Year 2 is to increase export market responsiveness and competitiveness. This will be achieved by focusing ~~on several key areas and by devising on~~ specific activities divided into two areas:

- ~~Market Development including:~~
 - a) Market research and distribution of results;
 - b) Training
 - c) Product differentiation and new product development;
 - d) Developing updated marketing strategies;
 - e) Providing technical and marketing information support;
 - f) ~~F~~Promoting the industry by facilitating inwards trade mission;
 - g) Facilitate industry trade fair participation
 - h) Facilitate export contacts and negotiations
 - i) Assisting in website, industry directory development
- ~~Small-Medium Enterprise Development including:~~

- a) Developing linkages with projects working directly with raw material harvesters.
- b) Facilitating United States Forest Service technical assistance
- c) Improving the design and implementation of the bio-certification law.
- d) -Technical training and individual follow-up aAssistance on gGood mManufacturing/wWarehousing pPractices, bBest mManagement pPractices, qQuality aAssurance/qQuality cControl, ISO and oOther iInternational sStandards;
- e) Develop herb and spice resource directory
- f) New technology training
- g) Business plan development.

Quarterly Report

Fourth Quarter Direct Cluster assistance (Activities)

a) Cluster members contacts:

b) Intensive meetings with cluster members were conducted ~~either at the EDEM office or at respective company sites to aiming at~~ identifying the herb and spice industry needs/challenges for the new harvesting season. Major businesses constraints were consistent in all geographic locations. ~~They (Elbasan, Korca, Malesi Madhe, Tirana, Durrës, Rrogozhina, Polican, Tepelena, Saranda),~~ primarily consisted ~~of in~~ lack of new markets, ~~lack of~~ appropriate equipment supply sources, ~~lack of~~ financial support, and new businesses opportunities.

b) Market research: es

Three markets ~~researches have activities~~ were conducted looking into global market opportunities for organic herbs and spices, quality certified herbs and spices, and value added herbal products. Findings of ~~these~~ ~~researches~~ are ~~presently~~ being ~~compiled~~ ~~elaborated~~ and will be made available to cluster member at the ~~November upcoming~~ cluster meeting.

e) Bio-certification:

Organically certified herbs and spices have ~~drawn~~ attention ~~from of a category of~~ buyers and consumers worldwide. Some importers of Albanian herbs and spices, ~~in some cases,~~ provide the certification service by themselves. Nevertheless, presently Albanian dealers have ~~asked come to require~~ that this service be provided in Albania with the passing of new, but not yet operational now that the respective law is already passed, but is not operational yet. ~~Therefore, EDEM held representatives have had series of~~ meeting with ~~representatives from related responsables at~~ the Ministry of Food and Agriculture to expressing concerns of the -business communities needs and discussing ways of making the law operational. Follow up meetings will be held in Year 2 ~~conducted~~.

d) Establishment of Certified Laboratory:

Quality certification has always been an issue for the ~~direct~~ herb and spice exporters. This service can sometimes be provided locally yet it is not recognized as legitimate by ~~the~~ foreign buyers; thus forcing Albanian herb and spice dealers to carry out quality analysis ~~in most of the cases~~ in the importing countries (a practice that is time consuming and expensive). ~~Therefore, the~~ presence of an international accredited laboratory is essential to the growth of Albania's herb/spice industry. ~~thus driving joined efforts of the EDEM Project and Land O'Lakes have towards~~ exploring the possibility opportunity of establishing such an institution ~~locally~~ utilizing the existing

laboratory. ~~Land O'Lakes assisted in partnership with~~ A foreign investor has been identified and is interested in forming a joint venture. Work on providing background information on what services, fees and equipment currently exists in state-owned laboratories, is being carried out ~~consisting in meeting with Veterinary Research Institute and Food Research Institute.~~ Once the background information is compiled, it will be provided given for review to the foreign investor for his review. If acceptable, and after that, if agreed, a business plan on this joint-venture will be prepared by ~~the~~ EDEM and Land O'Lakes. ~~SME Development unit.~~

e) Identification of Cluster Training Needs. (World Learning collaboration)

~~f) Cluster and individual business meetings served, among others, as an efficient way of identifying industry training needs, some of which were presented to the World Learning as a potential source of arranging the training for the industry members.~~ Once the needs are screened, cluster members will be informed on venue and topic of the training courses.

f) Information dissemination:

Cluster members were informed on exhibitions like the SANA exhibition where they would participate and establish new business relationships with interested partners. ~~C~~ Most importantly, cluster businesses were also provided with information on Kosovo herb and spice businesses and other regional importers interested in Albanian herbs and spices. ~~EDEM / Herbs and Spices staff~~ has also provided ~~the concerned~~ industry businesses with information on equipment supply companies. Also, cluster members have been informed on various international business opportunities (Italy, Hungary, USA) offered by foreign buyers who approach EDEM ~~Project~~ soliciting for a database of Albanian herb and spice dealers (i.e. sage oil, dried lavender and rose buds, etc).

g) Products diversification:

~~?~~ ~~EDEM / Herbs and Spices staff~~ has conducted a series of meetings with herb and spice businesses interested in diversifying their businesses. The increase of leather garments and footwear ~~manufacturing~~ industry, furniture manufacturing, and tourism in Albania opens new doors for the development of fragrance and aromatherapy products currently not available or produced locally. Interested dried herb businesses and/or essential oils businesses have a chance to differentiate their products, by developing herbs based products to serve ~~these~~ markets. ~~Over the quarter~~ businesses have been ~~were~~ visited at site and were introduced to a wide range of products that can be produced with aromatic species like aromatic sachets, packages with aromatic sachets and small bottles of essential oils, and packages with various aromatic plants.

Related cluster Assistance (activities)

? Meeting with Exports Promotion Agency:

~~? EDEM Project provided~~ assisted the Export Promotion Agency with a database of major Albanian herb and spice dealers, who were invited ~~to~~ a meeting organized by ~~the~~ Exports promotion Agency. This meeting served to establish contacts between the EPA and industry players, ~~which was able to distribute; also~~ information on foreign buying companies ~~was disseminated that had approached the EPA. The EPA indicated~~ ~~also promised that~~ it will serve as a bridge between the government structures and cluster members. Another meeting was conducted between EPA and EDEM representatives ~~aimed~~ at discussing ways ~~to~~ ~~of~~ continuous cooperation between these two programs to better serve the industry' needs.

? Meeting with Deputy Minister of Economy

~~A meeting was held at the Ministry of Finance, called by the Deputy Minister, Mr. Ilir Ciko. In the meeting it was discussed about the assistance the EDEM Project is giving to the Albanian herb and spice industry. Mr. Ciko confirmed that herbs and spices are always considered as important part of the economy and that Albanian government will also explore ways of assisting this sector as well.~~

? USAID visit to herb and spice businesses:

~~USAID senior officials, accompanied by the EDEM Project director and staff, visited herb and spice and essential oils businesses, located in Northern Albania, in order to discuss and obtain information on environmental concerns that arise from improper harvesting techniques; visit a cleaning/packaging facility and essential oils production business.~~

? Meetings on GIS mapping:

~~? Three meetings were held~~ conducted between EDEM ~~herb and spice related personnel~~ and USAID GIS Specialists. ~~The~~ ~~In the meetings were held~~ ~~to~~ it was discussed the previous efforts to produce maps ~~which represent inventor~~ ~~inventorying~~ of Albanian major commercial herbal species ~~that are wild~~ harvested ~~wild~~. Raw data on the production capacities was provided by EDEM ~~to~~ the GIS unit specialists ~~for additional mapping~~. Once this map is produced it will be made available to the industry members ~~in a cluster meeting~~.

? Assistance to United States Forest Service: (USFS)

EDEM ~~Project~~ provided background information ~~to~~ for the USFS ~~on Albania's herb/spice industry gathered from via contacting~~ several institutions ~~including~~ like the Ministry of Food and Agriculture, Ministry of Environment, Botanical Garden of Albania, Research Institute of Forests and Pastures, Directorate General of Forests and Pastures, GTZ,

Environment Center for Administration and Technology, Regional Environmental Center. ~~EDEM Project, in cooperation with USAID environmental officer arranged conference calls, scheduling and notifications of institution to be met with by the USFS.~~

~~?Assistance to ProAlbania:~~

~~EDEM Project~~ assisted the “Pro-Albania”, an Austrian-Albanian Association, in organizing a regional fair to present Albanian products in Austria. EDEM facilitated the presentation of products from the TEALB -and Vanest ~~companies on the fair.~~ EDEM assisted the preparation of the promotional information and selection of samples to be presented. ~~A quick~~ feedback from the fair provided by the organizer, indicated shows that participants (among which community people, researchers, and importers) showed great interest in Albanian products and were interested to be put in contact with the producing companies.

~~?Assistance to the National Park of Butrint: †~~

~~EDEM Project~~ was approached by the ~~head of~~ National Park of Butrint ~~in order~~ to discuss possible cooperation between the Project and the Park. EDEM is exploring ways ~~and mapping a strategy for to~~ supporting the National Park of Butrint with ~~an~~ which ~~mainly consist in:~~ a) A assessment of the potential for sustainable commercial utilization of some herbal species growing in BNP by establishing close collaboration with herbs and spices processing and trading companies and ~~by)~~ A assessment of the potential ~~to for~~ developing value added products such as handcrafted souvenirs and /or seedlings based on local flora to be produced by local communities ~~surrounding BNP to be presented and marketed in the recently established souvenir stand at BNP.~~

Specialty Tourism

~~Tourism was one of the initial three clusters selected by the EDEM project as an industry having significant potential for contributing to Albania's economic development, as well as the sustainable development and protection of the country's natural and cultural heritage. Tourism is, however, a diversified and highly competitive industry. With poor infrastructure and extensive regional competition in the traditional mass market tourist segments like “sun and sand”, Albania is not well positioned for mass market tourism. The country is, however, potentially well positioned for the development of specialty tourism segments such as adventure travel, ecotourism, cultural tourism and agro-tourism. Based on an industry assessment and Albania's position in the industry, it was decided that the focus should be placed on “Specialty Tourism” including adventure and sports, culture and the archeological and historical heritage of Albania, where it was considered reasonable that the Albanian tourism industry could develop competitive advantages.~~

The first cluster meeting was held on March 24, 2004 and was attended by 33 representatives from the industry. Three areas of focus were selected:

- ? marketing and promotion of Albanian tourism destinations;
- ? training on all the levels of staff in tourism industry;
- ? advocacy on issues related to Government policies which affect the tourism industry.

In the meeting the cluster members elected three task force groups, whose tasks were to concentrate their work on each of the three main directions given high priority. In the consecutive Working Groups meetings chairpersons were appointed for each group and the work plans for short, medium and long term activities were drafted. Since the initial cluster meeting in March, four more cluster meetings have been conducted, while the three working groups have held meetings at regular intervals.

While the main focus of the cluster meetings have been to discuss issues affecting the industry and to develop plans to solve these issues, an interesting side effect observed has been that the meeting also functions like virtual “business to business” (B2B) functions, where cluster members discuss opportunities to establish joint services or tours and other possibilities for closer cooperation.

The EDEM staff has performed many site visits in regions with specialty tourism potentials such as Saranda, Berat and Gjirokaster. Meetings with some of the main actors of the public and private sectors were focused mainly to discuss the potential these regions offer in terms of tourism development and to recruit them as active members of the Specialty Tourism Cluster. Increased participation of representatives from different municipalities and regions in the cluster meetings and other cluster activities indicate the positive results of these efforts.

Presently the Specialty Tourism Cluster has 80 members encompassing travel agencies, tour operators, hotels and other accommodation structures as well the supportive network of the tourism industry like the Ministries of the Albanian government and its agencies, associations, organizations, donor organizations and educational institutions.

Communication and information exchange among cluster members is considered an important function of the cluster. To this effect EDEM and the cluster has established a Yahoo users group, *Turizmi Shqiptar*, which now has 90 members and has become a very important source of communication and information exchange among cluster members and other interested parties.

Marketing and Promotion Working Group

This working group has developed an action plan and a schedule of major activities for the short, medium and long term regarding the following issues:

- ? Create business opportunities and increase collaboration among members
- ? Research domestic and international market opportunities
- ? Improve relationships with international markets
- ? Promote Albanian specialty travel products in cooperation with government institutions, civil society and media.

To date, the group has conducted and is conducting the following main activities:

- ? *Travel fairs*—Two travel fairs have been organized with the assistance of EDEM, both of which can be considered to be major successes. The first travel fair held on May 18, 2004 focused on spring and summer tourist activities and was directed to attract the expatriate community in Albania. This event attracted ~~xx~~ 38 exhibitors and more than ~~yyy~~ 300 visitors. The second fair focusing on fall and winter tourism in Albania was held on the World Tourism Day (WTD) on September 27, 2004. This fair, which was targeted at both the expatriate community in Albania as well as locals, attracted 3834 exhibitors from the industry participants based both in Tirana and several other regions of Albania and was attended by close to 28300 visitors. Both events attracted broad coverage in both print and in TV and electronic media. While it is difficult to measure the impact of the fairs on the tourism business, the immediate results based on a survey by EDEM of the exhibitors bode well:
 - o The travel agency and tour operator “Gulliver”, who the first time participated in the fair only as a visitor, was an exhibitor in the second fair. Based on contacts made in the first fair the cultural association “Sarda”, Gulliver presented two new tour packages in the second fair in cooperation with this association. At the second fair agreement were made ‘Alpin Dajti’, the Albanian association on alpine skiing, regarding hiking tours in some of the most beautiful mountain areas of Albania.
 - o Improvements were observed in the products offered and the presentations of their products from the first to the second fair. Examples are presented by the two hotels in Berat, Castle Park that now offers trekking tours, and hotel Mangalemi—Berat that offers one day tours for groups of visitors on historical and natural sites of Berat city.
 - o Cultural Association “Sarda” booked an Italian group and Montenegrin group amounting to USD 1,000 in revenue, which has been used towards investing in a new boat to expand business
 - o Shoqata “Nenat endin paqen” (Handicrafts Association) made contacts at the second Travel Night that resulted in EUR 900 of orders for their traditional textile handicrafts.
 - o All exhibitors reported distributing between 50 and 200 copies their brochures and information materials. In addition the cluster members each made numerous new business contacts ranging from 10 to as many as 50.
 - o Based on the Sarda example as a conservative estimate and feedback from the cluster members, we anticipate that approximately 10% of the contacts will generate new business, thus new groups of at least 10 customers each. That could mean about USD 3,000 in new business for each member (i.e.

a total of USD 69,000) and possibly one new job per member (i.e. a total of 23 new jobs). (Anila — I am not quite sure if I understand the rationale or logic here — please explain.). The calculation is done by Scott

- o Hotels from Tirana, Voskopoje, and Kruje met several travel agency cluster members at the fair and have begun negotiating with them to include their hotel offers in the agencies' promotional materials.
- o Several travel agencies reported developing new products as a result of Travel Night: agro-tourism in Durres and Kruja, cultural and historical offers from Shkoder, alpine and mountain trekking, youth trips to Voskopoje region.

? *The “Greetings from Albania” postcard campaign*—This digital postcard campaign was launched on WTD and is aimed at secondary school students to raise their awareness on the value, protection and promotion of the tourist attractions in their local areas. This activity is performed in close cooperation with the US Peace Corps volunteers in various locations in Albania, the reporters of “TROC” TV program and “TRENDY” magazine. Winners will be selected by a jury of cluster members. EDEM will distribute the postcards internationally and work with cluster members to ensure coverage and distribution at the World Travel Market in early November. The web portal www.shqiperia.com will create a special section on their website for all the postcards prepared and will promote Albanian tourism in cooperation with the cluster. EDEM will assist in distributing the cards to potential travelers and tour operators worldwide.

? *Foreign Journalists trip in Albania*—One of the objectives of the cluster was the promotion of Albania through international media. To reach this objective, four foreign journalists and one Albanian writing for international media had a tour of Albania in late September. The cluster members sponsored the visit of the journalists and accompanied them showing Albanian tourist attractions that make the country unique with its cultural, historical and nature values. They have already published articles about Albania. Messages were received from all of the journalists expressing their satisfaction with the arrangement of the tour and with Albania as a tourist destination. This type of effort is considered a significant contribution to change the image of the Albania abroad, and further such visits are scheduled for next year.

? *Brochure stand at Rinas Airport*—An agreement has been reached with the Civil Aviation Directory to ensure legal the approval and full their support to place and maintain the stand with promotional material about Albanian tourism provided from the cluster members. Investigations to find a stand are on the way and the voice is spread to the cluster members to start preparing the brochures, flyers. The stand is ready. A list of criteria and procedures about collection of materials, selections, placement and maintenance has been prepared and in early November 2004 we will start collecting the brochures and flyers and set up the stand at the airport. (I took it out as it is October activity)

?

? *Meeting with Meeting with Macedonia Competitiveness Activity team, Ohrid, Macedonia*—A meeting is organized in Ohrid with the Macedonian Cluster,

which focus is tourism development. Participants got informed about the strategies each of the cluster is implementing, specific activities organized so far. The cooperation is seen as very good opportunity. It will consist in developing joint itineraries such as: a) supporting visits by foreign tour operators that involve their reviewing each country's possibilities; b) developing joint tour package where tourists can complete visits to both countries on one package; and c) developing initiatives around Lake Ohrid between interested businesses from both sites of the border.

(The above activity took place in the beginning of October, and I would believe that more appropriately it should be reported as part of the first quarterly report of the fiscal year 2005)

In cooperation with EDEM this working group has also started to perform additional research on existing products and suppliers of specialty tourism products. Meetings have been held with the Institute of Monuments and Culture to obtain more information for the database to be developed on the monuments and cultural sites in Albania, which can be offered as potential destination in the tourism products of tour agencies and operators. Contacts have also been made with the Ministry of Culture and other cluster members to be updated with the major cultural events, which the tour agencies can make use of. In addition the Association of Speleologists is contacted to get info on natural monuments Albania has. As detailed in the Work Plan for year 2 this information will be presented in a database available to cluster members to assist them in their efforts to develop new products.

The Training and Education Working Group

This group is focused on improving the quality of staff and service in the travel and tourism as a key path to improving the quality of Albania's tourism offer. The focus is on the following types of training:

- ? management development
- ? service and staff development
- ? product development

The key educational and training activities undertaken are:

- ? *Internship Program*—This program is intended to assist the industry to improve its recruitment of educated and talented young people, and also to foster cooperation between academia and the industry. This program was established in close cooperation with the Faculty of Economics of the University of Tirana and was launched on WTD September 27, 2004. A total of 18 students hasves applied to participate and six private companies have accepted to welcome them as interns. As detailed in the Work Plan for year 2 we intend to expand the program also to encompass universities and companies in other regions of Albania.

- ? *Workshops on Product development & Customer Service*—Training workshops on customer service and product development were held with the cluster members in September. During the workshops two new itineraries were created and new business contacts were made between the participating cluster members. The manager of Hotel “Akademia” introduced his hotel to five travel agencies and later met with two of them to discuss inclusion of his hotel in their marketing materials. Taleda Durres/Kruje introduced their agro-tourism program and worked with cluster members on including it in new itineraries to be developed.
- ? *Leadership Program*—One of the activities identified by the cluster members as important in the management of the businesses was improving their leadership skills. Four cluster members together with other BSPs participated in a four day training course on Leadership given by EDEM. This training course is intended as the first step in a train-the-trainers program. As detailed in the EDEM year 2 work plan, the Leadership training program will be rolled out to cluster members and other companies through training courses given by BSP participants.

In the coming year training will also be given in various business development subjects.

EDEM staff has also assisted the cluster members on firm level marketing and promotion of their products like creating websites, and in developing brochures and other promotional materials.

Government & Policy Work Group

This group is focused on ways private sector cluster members can best work with government institutions. They are striving to work as closely as possible with government to develop and implement policies and strategies that impact tourism developments in Albania. The group has drafted an action plan emphasizing advocacy and strengthening of cooperation with government institutions.

The members of this Work Group decided to set up an Advisory Group to communicate with the government and other public sector organizations. Key activities of this Work Group and the Advisory Group were:

- ? *Meetings with the Mr. Roland Bimo, General Secretary at the Ministry of Foreign Affairs*—Several meetings were held with Mr. Bimo in order to gain acceptance for the concept of promoting Albanian tourism through the Albanian embassies and consulates around the world. Despite the apparent acceptance of the concept by and commitment of Mr. Bimo to assist in the process, the majority of Albanian diplomats are not willing to support the process. In year 2 of the project we will continue its efforts to convince the diplomatic missions as to the importance of promoting Albanian tourism.
- ? *Round Table on Cooperation Between the Public and Private Sectors in Tourism*—The first round table discussion was organized on WTD September 27, 2004 to institutionalize of the communication process between the private sector tourism industry represented by the Advisory Group and the public sector represented by

the Ministry of Territory and Tourism and the Tourism Development Council. It was agreed in this first meeting that this form of communication is valuable and that round table discussions shall be arranged at regular intervals to enhance the cooperation between the private and the public sectors.

Collaboration with other organizations

The Tourism Cluster of EDEM has developed positive working relationships with a number of local and international organizations that support the tourism industry. In this context, however, the cooperation that has been established with the US Peace Corps and its volunteers stationed in various municipalities to work on tourism among other issues, is in many ways unique. In June 2004, EDEM staff participated in the Peace Corps' "In-Service Training in Korea." This offered EDEM had the opportunity to strengthen ties with Peace Corps Volunteers (PCVs) based throughout the country. In the second meeting in Vlora Ss. Several PCVs expressed an interest not only in tourism development in their communities, but also in forming closer links with EDEM, the tourism cluster and other PCVs for the purpose of forming regional sub-clusters linked with the tourism cluster. EDEM is cooperating with the Tourism Committee formed by the PCVs by assisting them to establish adequate links with the government and other institutions related to tourism and by supplying them with updated information on tourism industry developments and the overall Albanian environment. Several Peace Corps volunteers are also involved as local links in the postcard campaign "Greetings from Albania" initiated from EDEM at national level. EDEM will continue to foster this positive relationship with the US Peace Corps and the PCVs.

Issues Facing the Tourism Industry

The tourism industry in Albania is highly fragmented with a large number of relatively small operators. It is facing a number of challenges and issues, which have a negative impact on the entire industry. These range from poor infrastructure, an unstable political environment, government regulations or lack thereof via the poor image enjoyed by Albania abroad to issues related to staff training and a general lack of professionalism and management skills in the industry. While industry cooperation is always difficult, the activities of the cluster to overcome these obstacles have clearly demonstrated the power of cooperation to the cluster members. EDEM will continue its work with the cluster members at the cluster level to meet these challenges and overcome the obstacles faced by the industry.

In year 2 of the project we will also increasingly focus on assistance to the individual cluster members to enhance their overall competitive position. We will also increase our efforts at interregional cooperation with USAID funded projects in other Balkan countries to foster the development of multi-country tours and tourism experiences and promotion of tourism attractions.

Tourism was one of three initial clusters selected by the EDEM as an industry with significant potential to contribute to Albania's economic development, as well as the sustainable development and protection of the country's natural and cultural heritage. Tourism is a diversified and highly competitive industry. With poor infrastructure and extensive regional competition in the traditional mass market tourist segments like "sun and sand", Albania is not well positioned for mass market tourism. The country is, however, potentially well positioned for the development of specialty tourism segments such as adventure travel, ecotourism, cultural tourism and agro-tourism. Based on an industry assessment, it was decided that the focus should be placed on "Specialty Tourism" including adventure and sports, culture and the archeological and historical heritage of Albania, where Albanian tourism industry could develop competitive advantages.

The first cluster meeting was held on March 24, 2004 and was attended by 33 representatives from the industry. Three areas of focus were selected:

- marketing and promotion of Albanian tourism destinations;
- training on all the levels of staff in tourism industry; and
- advocacy on issues related to Government policies that affect the tourism industry.

Cluster members formed three task force groups; each was given the task to address one of the three high priority directions. Chairpersons for each group were identified and work plans for short, medium and long term activities were drafted. Since the initial cluster meeting in March, four more cluster meetings have been conducted, while the three working groups have held meetings at regular intervals.

While the main focus of the cluster meetings has been to discuss issues affecting the industry and to develop plans to solve these issues, an interesting side effect observed has been that the meetings also entail virtual "business to business" (B2B) functions, where cluster members discuss opportunities to establish joint services or tours and other possibilities for closer cooperation.

EDEM has performed many site visits in regions with specialty tourism potentials such as Saranda, Berat and Gjirokastra. Meetings with some of the main actors of the public and private sectors were focused mainly to discuss the potential these regions offer in terms of tourism development and to recruit active members of the Specialty Tourism Cluster. Increased participation of representatives from different municipalities and regions in the cluster meetings and other cluster activities indicate the positive results of these efforts.

Presently the Specialty Tourism cluster has 80 members encompassing travel agencies, tour operators, hotels and other accommodation structures as well the supportive network of the tourism industry like Albanian government ministries and agencies, associations, organizations, donor organizations, and educational institutions.

Communication and information exchange among cluster members is considered an important function of the cluster. To this effect EDEM and the cluster have established a

Yahoo users group, Turizmi Shqiptar, which now has 90 members and has become a very important source of communication and information exchange among cluster members and other interested parties.

Marketing and Promotion Working Group

This working group has developed an action plan and a schedule of major activities for the short, medium and long term regarding the following issues:

- Create business opportunities and increase collaboration among members;
- Research domestic and international market opportunities;
- Improve relationships with international markets; and
- Promote Albanian specialty travel products in cooperation with government institutions, civil society and media.

To date, the group has conducted the following main activities:

- Travel fairs – Two travel fairs have been organized with the assistance of EDEM, both of which can be considered to be major successes. The first travel fair held on May 18 focused on spring and summer tourist activities and was directed to attract the expatriate community in Albania. This event attracted 38 exhibitors and more than 300 visitors. The second fair focused on fall and winter tourism in Albania was held on the World Tourism Day (WTD), September 27. This fair, which was targeted at both the expatriate community in Albania as well as locals, attracted 34 exhibitors from the industry participants based both in Tirana and several other regions of Albania and was attended by over 250 visitors. Both events attracted broad coverage in both print and in TV and electronic media. While it is difficult to measure the long-term impact of the fairs on the tourism business, the immediate results based on a survey by EDEM of the exhibitors bode well:
 - The travel agency and tour operator “Gulliver”, who participated in the first fair only as a visitor, was an exhibitor in the second fair. Based on contacts made in the first fair with the cultural association “Sarda”, Gulliver presented two new tour packages in the second fair in cooperation with this association. At the second fair agreement were made with ‘Alpin Dajti’, the Albanian association on alpine skiing, regarding hiking tours in mountain areas of Albania.
 - Improvements were observed in the products offered and the presentations of their products from the first to the second fair. Examples are represented by two Berat hotels, Castle Park that now offers trekking tours, and hotel Mangalemi that offers one day- tours for groups of visitors on historical and natural sites of Berat city.
 - Cultural Association ”Sarda” booked an Italian group and Montenegrin group amounting to USD 1,000 in revenue, which has been used towards investing in a new boat to expand business

- Shoqata “Nenat endin pagen” (Handicrafts Association) made contacts at the second Travel Night that resulted in EUR 900 of orders for their traditional textile handicrafts.
 - All exhibitors reported distributing between 50 and 200 copies of their brochures and information materials. In addition the cluster members each made numerous new business contacts ranging from 10 to as many as 50.
 - Based on the Sarda example as a conservative estimate and feedback from the cluster members, and general industry trends, it’s anticipated that approximately 10% of the fair contacts will generate new business. That could mean about USD 3,000 in new business for each of the 23 private firm exhibitors (i.e. a total of USD 69,000) and possibly one new job per member (i.e. a total of 23 new jobs).
 - Hotels from Tirana, Voskopoje, and Kruje met several travel agency cluster members at the fair and have begun negotiating with them to include their hotel offers in the agencies’ promotional materials.
 - Several travel agencies reported developing new products as a result of Travel Night: agro-tourism in Durres and Kruja, cultural and historical offers from Shkodra, alpine and mountain trekking, and youth trips to Voskopoje region.
- The “Greetings from Albania” postcard campaign – This digital postcard campaign was launched on WTD and is aimed at secondary school students to raise their awareness on the value, protection and promotion of the tourist attractions in their local areas. This activity is performed in close cooperation with the US Peace Corps volunteers in locations around Albania, the reporters of “TROC” TV program and “TRENDY” magazine. Winners will be selected by a jury of cluster members. EDEM will distribute the postcards internationally and work with cluster members to ensure coverage and distribution at the London World Travel Market in early November. The web portal www.shqiperia.com will create a special section on their website for all the postcards prepared and will promote Albanian tourism in cooperation with the cluster. DEM will assist in distributing the cards to potential travelers and tour operators worldwide.
 - Foreign Journalists trip in Albania - One of the objectives of the cluster was promotion of Albania through international media. To reach this objective, four foreign journalists and one Albanian writing for international media had a tour of Albania in late September. The cluster members sponsored the visit of the journalists and accompanied them showing Albanian tourist attractions that make the country unique with its cultural, historical and nature values. They have already published articles about Albania in their home country media. Messages were received from all of the journalists expressing their satisfaction with the arrangement of the tour and with Albania as a tourist destination. This type of effort is considered a significant contribution to change the image of the Albania abroad, and similar visits are programmed for Year 2.

- Brochure stand at Rinas Airport - An agreement has been reached with the Civil Aviation Directory to place and maintain a stand with promotional material about Albanian tourism. The material will be mostly provided by the cluster members. A list of criteria and procedures about collection of materials, selections, placement and maintenance has been prepared and in early November the brochures and flyers will be collected and the stand initiated at the airport.
- EDEM has also assisted the cluster members on firm-level marketing and promotion of their products like creating websites, and in developing brochures and other promotional materials.

In cooperation with EDEM this working group has also started to perform additional research on existing products and suppliers of specialty tourism products. Meetings have been held with the Institute of Monuments and Culture to obtain more information for the database to be developed on the monuments and cultural sites in Albania that can be offered as potential destinations in the tourism products of tour agencies and operators. Contacts have also been made with the Ministry of Culture and other cluster members to be updated on scheduled cultural events, which the tour agencies can use in preparing tour packages. In addition the Association of Speleologists was contacted to get information on natural monuments Albania has to offer. In Year 2 this information will be presented in a database available to cluster members to assist their efforts to develop new products.

The Training and Education Working Group

This group is focused on improving the quality of staff and service in the travel and tourism industry as a key path to improving the quality of Albania's tourism offer. The focus is on the following types of training:

- management development;
- service and staff development; and
- product development.

The key educational and training activities undertaken were:

- Internship Program – This program is intended to assist the industry improve its recruitment of educated and talented young people, and also to foster cooperation between academia and the industry. This program was established in close cooperation with the Faculty of Economics of the University of Tirana and launched on WTD. Eighteen students have applied to participate and six private companies have accepted them as interns. As detailed in the Work Plan for Year 2, the program will be expanded to encompass universities and companies in other regions of Albania.
- Workshops on Product development & Customer Service - Training workshops on customer service and product development were held with the cluster members in September. During the workshops two new itineraries were created and new

business contacts were made between the participating cluster members. The manager of Hotel “Akademia” introduced his hotel to five travel agencies and later met with two of them to discuss inclusion of his hotel in their marketing materials. Tauleda Durres/Kruje introduced their agro-tourism program and worked with cluster members on including it in new itineraries to be developed.

- Leadership Program - One of the activities identified by the cluster members as important in the management of the businesses was improving their leadership skills. Four cluster members participated in a four day training course on Leadership given by EDEM. This training course is intended as the first step in a train-the-trainers program. As detailed in the EDEM Year 2 work plan, the Leadership training program will be rolled out to cluster members and other companies through training courses given by BSP participants.

Government & Policy Work Group

This group is focused on ways private sector cluster members can best work with government institutions. They are striving to work as closely as possible with government to develop and implement policies and strategies that impact tourism developments in Albania. The group has drafted an action plan emphasizing advocacy and strengthening of cooperation with government institutions.

The members of this group organized an Advisory Group to communicate with the government and other public sector organizations. Key activities of this Work Group and the Advisory Group were:

- Meetings with the Mr. Roland Bimo, General Secretary at the Ministry of Foreign Affairs - Several meetings were held with Mr. Bimo in order to gain acceptance for the concept of promoting Albanian tourism through the Albanian embassies and consulates around the world. Despite the apparent acceptance of the concept by and commitment of the MFA to assist in the process, the majority of Albanian diplomatic missions are limited in their ability to support the process. In Year 2 efforts will continue to convince the diplomatic missions of the importance of promoting Albanian tourism to the growth of Albania’s economy.
- Round Table on Cooperation Between the Public and Private Sectors in Tourism - The first round table discussion was organized on WTD to institutionalize a communication process between the private sector tourism industry represented by the Advisory Group and the public sector represented by the Ministry of Territory and Tourism and the Tourism Development Council. It was agreed in this first meeting that this form of communication is valuable and that round table discussions shall be arranged at regular intervals to enhance the cooperation between the private and the public sectors.

Collaboration with other organizations

The Specialty Tourism Cluster has developed positive working relationships with a number of local and international organizations that support the tourism industry. In this context, however, the cooperation that has been established with the US Peace Corps and their volunteer stationed in various municipalities is exceptional. In June, EDEM supported the Peace Corps' "In-Service Training in Korca by making presentations on the need for competitiveness and use of the cluster approach. EDEM had the opportunity to strengthen ties with Peace Corps Volunteers (PCVs) based throughout the country. In a second meeting in Vlora, several PCVs expressed an interest not only in tourism development in their communities, but also in forming closer links with EDEM, the tourism cluster and other PCVs for the purpose of forming regional sub-clusters linked with the tourism cluster. EDEM is cooperating with the Tourism Committee formed by the PCVs by assisting them to establish adequate links with the government and other institutions related to tourism and by supplying them with updated information on tourism industry developments and the overall Albanian environment. Several PCVs are also involved as local links in the postcard campaign "Greetings from Albania".

Issues Facing the Tourism Industry

The tourism industry in Albania is highly fragmented with a large number of relatively small operators. It is facing a number of challenges and issues, which have a negative impact on the entire industry. These range from poor infrastructure, an unstable political environment, government regulations or lack thereof, the poor image enjoyed by Albania abroad to issues related to staff training and a general lack of professionalism and management skills in the industry. While industry cooperation is always difficult, the activities of the cluster to overcome these obstacles have clearly demonstrated the power of cooperation to the cluster members.

In Year 2, EDEM will increasingly focus its assistance to the individual cluster members to enhance their overall competitive position. EDEM will also increase efforts on interregional cooperation with USAID funded projects in other Balkan countries to foster the development of multi-country tours and tourism experiences and promotion of tourism attractions.

Leather Goods/Shoe Production

Activities

A significant element in the effort to create a sustainable Albanian Center for International Trade (ACIT) is strengthening its ability to support the private sector. Interacting with an industry sector and supporting the sector's development through application of the EDEM competitiveness/cluster approach was selected as one mechanism to further this goal. To choose the most appropriate industry, ACIT prepared three industry profiles – leather goods/shoe production, wood products, and textiles/garments. Based on the profiles, ACIT and EDEM recommended to USAID, which approved the recommendation, the formation of a Leather Goods/shoe Production industry based cluster.

It was agreed that implementation of the Leather Goods/Shoe Production industry based cluster will be a combined effort of ACIT and EDEM. ACIT has accepted responsibility for managing the activity and will direct much of the assistance activities. EDEM will support ACIT's efforts by providing STTA support and guidance to ACIT staff as they set about undertaking the different tasks.

In mid-September, ACIT organized the initial meeting of the industry and presented the concepts and approach of a cluster-based approach to approximately 20 industry representatives. Recognizing that the industry faced many barriers to its development, attendees responded with considerable interest to the idea of working together in a collaborative manner. To support the cluster efforts, EDEM recruited two STTA consultants – one focused on marketing and production and one specializing in the tanning industry. The STTAs are scheduled to begin their supporting efforts early in Year 2.

Issues

The Albanian leather goods/shoe production industry can be characterized as having two main types of firms: 1) larger firms that are generally joint ventures with Italian owners with much in-house capabilities; and 2) smaller, generally Albanian owned, firms with limited management and design capabilities. A major task for ACIT/EDEM will be to encourage collaboration between the industry's two components and develop synergies so that the overall Albanian leather goods/shoe production industry can prosper and create new employment opportunities.

A second issue facing this cluster is integration of Albania's tanning industry as a reliable raw material source of the production companies. If the tanning industry can develop in an environmentally sound manner, it has the potential to supply much of the finished leather currently being sourced in Italy and elsewhere. The ability for Albanian tanneries to adhere to EU standard environmental regulations and the willingness of the tanneries

to move beyond low value processing will be critical if they are to achieve industry sustainability and growth.

Future Activities

In Year 2 three critical activities are programmed that will lay the foundation for subsequent efforts.

- 1) Company and company product identification. There is no current data base of production companies or what they produce. To support the industry's efforts to move forward it will be imperative to have a solid perspective of the individual players;
- 2) Following the database development, two level of strategies will be prepared – the approach to addressing business environment issues, and individual company strategies; and
- 3) An early assessment will be undertaken of the capabilities and willingness of the tanning industry to comply with EU level environmental regulations. If there is an inability or unwillingness, it will be difficult/impossible to support the industry.

ACIT/EDEM are confident the Albanian leather goods/shoe production industry has significant growth potential both in terms of increasing its total sales as well as in the creation of high numbers of employment opportunities.

C. SME DEVELOPMENT

Principle Activities

The main activities in the first three quarters of Year 1 (Not addressed elsewhere) the year were:

- Analysis and selection of industry clusters – ~~EDEM~~The SME Department made significant contributions to collected and analyzed data and information on Albanian industries that had been identified as candidates for the clusters and recommended to USAID the three initial clusters approved by USAID. EDEM, on which EDEM's activities should be based. T also prepared criteria on which he department selected the criteria, on which the selection of the cluster selections was based.

? Cluster profiles—Along with the other professional staff of EDEM, the SME Department contributed to the development of the cluster profiles, on which the work plans and activities were based. The department also contributed in the formation of the clusters and coordination of the cluster activities.

- Lender Survey - Access to appropriate financing is a key ingredient in the process of making the industry clusters and individual firms more competitive. In anticipation of the need to address this issue, EDEM completed a comprehensive survey of the financial institutions that are potential sources of credit to cluster members. Included in the survey were 15 commercial banks, seven micro-credit institutions and three equity funds.

- Business Service Provider (BSP) Survey - An important element of EDEM activities is the creation of sustainability, not only in the clusters and firms it directly supports, but also in institutions that will provide long term support and services to the firms after completion of the EDEM project. To support the development of sustainable services, EDEM completed and distributed a Business Service Providers (BSP) Survey. The survey identified Albanian private for profit BSPs, NGOs and other organizations that have the ability to provide sustainable services to the cluster members and the overall SME community. The survey identified the organizations, classified according to their organization type and makes note of the types of services the organizations can provide.

? Cooperation with other donors and BSPs—To the extent practical and feasible EDEM has endeavored to cooperate with and draw upon the resources of other donor funded projects and BSPs providing assistance to the SMEs sector with emphasis on the targeted clusters. The main cooperative activities have been focused on:

o(Land of Lakes—Meat sector assistance—“Seal of Quality program—(this should possibly be discussed in the Meat section of the report

o(Chemonics—financing of firms in the Herbs and Spice cluster)—this should most likely be discussed in the Herbs and Spices section of the report

~~o~~ ~~SOROS Project for Tourism Development in the South of Albania—This project was initiated in August 2004 and will continue into early 2005. EDEM is working with this project to ensure that members of the Tourism Cluster will be included as participants in the training programs.~~

~~In~~ ~~Went—~~ an organization established as part of the Stability Pact Program is in cooperation with Tirana RDA (Regional Development Agency) organizing a “Project Management” training program. Two cluster members (one from tourism cluster and the other one from H&S cluster) are taking part in this ongoing program.

~~?~~ ~~The National Competitiveness Conference—This conference was held on June 2, 2004 and the SME department contributed to the coordination of this conference.~~

~~?~~ ~~Leather Products cluster—EDEM has in close cooperation with ACIT selected the leather products industry as the fourth cluster, and the first cluster meeting was held on September 9, 2004. The SME Department will coordinate EDEM’s activities in close cooperation with ACIT.~~

Activities In the last quarter of the year from July 1 to September 30 (Not addressed elsewhere)

~~;~~ ~~2004 the SME activities have in the main been focused on the following activities:~~

- Identifying training issues – Development of management capacity is a key objective of EDEM’s effort~~function of the SME department’s activities~~, and delivery of management training is a key area of focus:
 - Prepared d and conducted d leadership and management training for selected BSPs, cluster members and ~~some of the~~ EDEM staff. The key focus in this respect was ill be to develop “train the trainers” programs to enable the participants to roll out and deliver the training programs to a large number of SMEs participating in ~~the EDEM~~ respective targeted clusters; and
 - Prepared d a list of the training possibilities for EDEM ~~the targeted~~ clusters (i.e. ~~the Tourism, Herbs and Spices, Meat Processing and Leather Goods clusters~~). The participants in each ~~of the EDEM~~ clusters have identified training training needs in various topics, such as management functions, marketing, production and technology, customer service, etc., as crucial to develop the competitiveness of the respective clusters and individual firms participating in the clusters. ~~EDEM’s SME Department~~ EDEM has begun to layout a training program for each cluster looking to address cluster needs using through both internal and external resources. To this effect EDEM has initiated discussions with World learning, the Soros Foundation, Tirana RDA, the EU’s Stability Pact for South Eastern Europe, the Ministry of Economy’s SME Promotion Agency, and, as a part of the Donor Survey described below, with several NGO organizations in order to identify potential training resources.

- Donor Survey – ~~The EDEM SME department~~ has ~~completed~~performed a survey of all donors currently operating in Albania to identify programs designed to provide assistance to the SME sector ~~in Albania~~. This survey identified donor programs, their activities, type and amounts of funding, their target market/sector and identified any application process they use to respond to SME support requests.
- Assistance to obtain bank financing – ~~The EDEM-SME department~~ has assisted one of the member companies of the Tourism cluster, Iceberg Publicity, to obtain a loan ~~from~~ a local bank. With EDEM's ~~own~~ assistance the company was successful in obtaining a loan of EUR 30,000 from BKT, Tirana on terms considered favorable by the company's management ~~of the company~~. As a result of obtaining the financing, the company was able to hire three additional employees~~create three new positions, all of which have been filled.~~
- Company Profile Summaries (CPS) ~~and Strategic Action Plans (SAP)~~ - For each company in EDEM's portfolio (i.e. active members of the respective clusters) CPSs are being developed presenting facts, figures and diagnostic assessment of the viability of the business model employed and the development potential of the company. This information will be used to establish the baseline figures for reporting purposes, and provide input for determining the level of effort and assistance that would be appropriate to assist each of company. From each cluster, companies will be selected that have high potential for growth and which can benefit from receiving supporting
~~For each of the companies in our portfolio of clients (i.e. active members of the respective clusters) we will develop a Company Profile Summary (CPS) presenting facts, figures and diagnostic assessment of the viability of the business model employed and the development potential of the company. This information will be used both to establish the baseline figures for reporting purposes, and also provide input for determining the level of effort and assistance that would be appropriate to assist each of the companies. We are in the process of developing the CPSs for the companies in the EDEM portfolio. From each cluster we will selected four to five companies, which we would consider to have high potential for growth and development and which we would consider could benefit from receiving our services, for intensive assistance.~~
- Strategic Action Plans (SAP) – For selected companies a SAP will be developed in close cooperation with the company's management. The SAP will be used as the guideline for the activities to be performed by the company management and for EDEM's assistance to the company. The SAP will outline the vision, objectives and strategies to be performed to reach company goals

Issues

While ~~the EDEM project~~ along with its partners and in cooperation with other donors and NGOs ~~is~~ has provided ing management consulting and training services to the clusters and

its members, another important factor to ensure the future growth of the clusters and its members ~~in addition to the SME sector in general~~ is access to financing. There is an emerging financial sector in Albania, and ~~the EDEM~~ ~~our Lender S~~ survey has shown that Albanian financial institutions are interested in supporting SMEs. However, many SMEs have experienced problems obtaining normal bank loans. While there are a number of constraints – both internal and external – ~~that~~ ~~which~~ must be addressed, the key constraint facing most SMEs is having and being able to present sufficient collateral ~~required by,~~ ~~which~~ most banks ~~require~~ to offset risk. Several banks have expressed interest in increasing SME lending using their own funds, if effective loan guarantee systems can be put into place. Most banks prefer to lend to major companies and large SMEs. ~~The Our~~ survey has shown that several banks are trying to shift their focus towards the SME sector. However, at this point, only one bank (Procredit) actively lends to SMEs, while a second (Raiffeissen) is expected to enter the market in the near future.

Micro-credit institutions have started to fill the SME credit gap. Most micro-lending institutions have in the main been funded by and operate with donor funds, and thus would require additional capital resources if they are to be active players to support the SME sector in Albania.

The availability of ~~quality~~ Business Service Providers (BSP) is an important factor ~~needed~~ to support the SME sector's development. ~~The EDEM BSP S~~ ~~Our~~ survey ~~has~~ indicated ~~that~~ the universe of local BSPs is continuing to grow in terms of the number of firms offering consulting and training services and ~~in terms of the~~ services offered. At the present time most Albanian ~~BSPs~~ ~~business service providers are~~ only ~~able to~~ offer basic training courses and business plan preparation; most BSPs have however expressed an interest in developing more sophisticated business consultancy services. EDEM will continue to include BSP organizations in cluster activities, and when their capabilities match assignment needs, EDEM will provide opportunities for local firms to offer their services in addressing cluster needs. EDEM will also provide opportunities for local BSPs to participate in EDEM technical assistance activities and in training courses to enhance their ability to provide services to the cluster members and the SME sector in general. As their level of service expands, their ability to support the Albanian SME business community's efforts to grow and thrive in the competitive domestic and international marketplaces will increase in significance.

Future Aocus of next year's activities.

In the coming year, ~~the SME Department of~~ EDEM will focus its activities in terms of assistance to individual companies in the four industry clusters in the following areas:

1. Training in business subjects, including training of trainers;
2. Enterprise ~~d~~Development and ~~m~~Management ~~c~~Consulting ~~s~~Services, including development of strategic action plans, feasibility analyses, business plans and general business development;
3. Access to financial service institutions and potential investors, including assistance in development of loan applications, contact with potential foreign investors etc.; and
4. Public ~~r~~Relations and promotion services to the industry clusters and to individual firms.

These activities are outlined in more detail in the annual work plan.

D. — MARKETING

E.

E.D. BUSINESS ENVIRONMENT

National Conferences

In December, EDEM hosted an Operations Workshop attended by over 80 representatives from the business community, government ministries, NGOs and donor organizations. The interactive Workshop provided the participants (most of whom stayed the entire day) an in-depth background on the concepts of competitiveness and the benefits of working together through a cluster approach.

EDEM held its first National Competitiveness Conference on June 2, attracting approximately 165 participants from the business community, government, and donor and NGO organizations. The theme of the event was “Albanian Business on the Road to Competitiveness”. The conference was an exceptionally important step in demonstrating to the Albanian business community and the general public, efforts that are being taken to strengthen the competitiveness and increase the marketing capability of Albanian enterprises through the use of industry clusters.

Anti-Corruption Activities

A major impediment to the competitiveness of Albania’s SME community is the corrupt practices they encounter in their attempt to do business. Significantly contributing to this impediment is the business’ participation, willingly or unwillingly, in the corrupt practices. Significant activities EDEM undertook during Year 1 to address corruption as covered in the first three quarters reports and for the past quarter included:

- Established contacts and communication channels with aAnti-cCorruption uUnits at the Ministry of State, Ministry of Economy, American Chamber of Commerce, Albanian Chamber of Commerce, as well as with ACIT, USAID, MSI, ACAC, OSBE, and SOROS.
- Assisted ~~throughout the period theree~~ EDEM clusters in defining on the issues related with corruption in the private sector and on other impediments business’ faces in relation with the legal and regulatory environment.

~~? EDEM anti-Corruption component prepared material and meetings with cluster coordinators and EDEM staff members on explaining the approach of EDEM on the Anti-corruption issues for private sector. Information provided and the discussion helped to clarify this issue for the staff.~~

- Established close relations with Albanian Coalition Against Corruption (ACAC) to with the aim of getting the involvement of the C-coalition also in addressing en

~~the issues related to~~ private sector corruption. Most of the work of the Coalition has done to date has been ~~with~~ focused on public administration and little attention have been devoted to private sector involvement. ~~Worked with Coalition to change this.~~

- ~~Co-organized two workshop~~ As a results of these efforts came the joined forums with the of EDEM and ACAC on May focused on the cost to businesses resulting from corruption. The well attended workshops, held in May, were targeted to the business community and to journalists. The purpose of the workshops was to highlight the treatment corruption as a cost issue for the business community rather than just a moral/ethical issue.

A

- ~~Prepared a~~ paper on “Corruption and its costs for businesses” was delivered at ~~for~~ EDEM’s National Competitive Conference held on June 2nd. The purpose of ~~The~~ paper was focus the public’s attention on the fact that corruption affects the cost of doing business and thus is a significant element in the higher prices paid for product made and/or sold in Albania.

~~?~~ Assisted the meetings with the governmental policies group of tourism cluster working with cluster coordinator to enlist issues of concern form the business point of view.

~~?~~ In collaboration with MSI and the USAID Civil Society Corruption Reduction project, Worked with EDEM media specialist on TV Production and scenario on some ideas about anticorruption on a future television broadcasting

- ~~EDEM anti-corruption component~~ designed a survey methodology for ~~tho~~ gather information on the magnitude of corruption’s effects on the business community. The survey, completed in September, will provide a baseline on which to measure the decline in application of corrupt practices. The survey will be repeated annually

~~?~~ Designed a frame on a national forum on reducing corruption into business daily operations. This activity is of a great impact and is designed to have support and collaboration of the state bodies, different donors, experts from other countries that have had success in this kind of performing

~~?~~ Worked on a very important product such as business ethics modules for businesses based first on idea of the Business Forum for Integrity already established this Spring with support of Albanian Chamber of Commerce and second to and the materials provided from USA by Tom

~~?~~ Monitored the private sector measurements foreseen at the Governmental Anti-Corruption Action Plan (ANTICORRUPTION MATRIX)

EF. COMMUNICATION

Making the public and general business community aware of Albania's need to significantly increase its competitiveness capability if its economy is to grow, is a core objective of EDEM.

Activities undertaken in Year 1

~~Different~~ promotional materials were designed,² printed and distributed for the start up of EDEM project ~~including~~ the project logo, ~~a~~ fact sheet and ~~a~~ project brochure ~~were prepared and designed.~~ ~~The~~ ~~(A new~~ fact sheet and ~~project~~ brochure ~~were updated in~~for the project ~~were prepared by~~ April.

~~April of this year) A media briefing with reporters conducted at the Workshop organized by OTF Group was another attempt to introduce EDEM project to media and public, also providing them with knowledge about competitiveness and how to better improve it. Also a news release was prepared.~~

~~A major objective of EDEM is increasing the public's awareness and involvement in promoting the competitiveness of Albanian products.~~ To foster EDEM/media relationships, in the first week in November, EDEM and OTF staff held a workshop ~~conducted a briefing~~ for approximately 20 members of the Albania media. The briefing laid out the EDEM project, the competitiveness and cluster approaches, and provided the media an opportunity to ask questions and seek clarification about planned activities. EDEM was also very successful in attracting media to its Operations Workshop and obtaining event coverage. Representatives from 12 media outlets (six TV channels, two radio stations, three newspapers and one magazine) plus several freelance journalists filed reports on the Workshop including TV interviews with OTF representatives and a Voice of America interview with the USAID Mission Director.

To assure adequate exposure to EDEM's message, a comprehensive communications strategy was prepared to guide the project's communication/media related activities.

A program was developed to produce a continuing series of 20 to 30 minute TV shows that focus on the issues affecting Albania's economic situation. Modeled after the successful Heroes series, each production ~~was to~~ concentrate on a single issue, highlighting where progress ~~has~~ been made and where efforts need to be applied in order for Albania to move forward economically. The subject matter ~~was to~~ range from general topics such as 'applying the competitiveness paradigm', 'the informal economy' and 'business environment issues' to specialized topics such as shows on each of the EDEM clusters, 'anti-corruption' and 'foreign investment'. The series ~~was to~~ begin with a show on 'competitiveness' scheduled to be aired at the end of May and ~~will~~ be broadcast via the Heroes network. ~~Beginning in the fall, it is anticipated that a different topic will aired on a monthly or bi-monthly basis.~~ The effort ~~was~~ being

closely coordinated with the USAID funded Media Development in Albania project. Unfortunately, issues raised by USAID regarding the production caused a postponement of the effort.

~~An other~~ objective of EDEM is to raise awareness of media and public regarding ~~for~~ the effect corruption has on the costs of doing issues related to business and final cost to consumers. ~~In conjunction with the anticorruption unit of the project~~ In April a media workshop ~~briefing~~ was conducted with reporters on ~~for~~ the cost of corruption in the businesses Eighteen assuring the participation of 18 media representatives from print and electronic media participated in the workshop. A press release was issued to the reporters.

A flyer, ~~and a poster~~ and two press releases were prepared, ~~designed and delivered~~ for the Albanian Tourism Evening travel fair held in mid-May ~~First Travel Night in May.~~ 2 press releases were issued. ~~Extensive~~ Wide media coverage of the event was assured ~~brought to bear with~~ mentioning here the participation of 18 media outlets including 9 TV Stations that broadcasted the activity (2 public TV Stations); 2 of them ran the show for 5 minutes all day long; 6 articles appeared in ~~the~~ daily newspapers; 2 rRadio sStations announced the event; Albanian Telegraphic Agency; 1 article in the “Monitori” magazine; and News on line (an Albanian website) covered the activity.

Significant to ~~A major activity of~~ EDEM’s first year’s efforts to encourage the public’s involvement in promoting a national movement to increase the competitive capability of Albania’s private sector and to broadly spread the message of the value of collaboration throughout the business community, EDEM organized “Albanian Business on the Road to Competitiveness” National Conference in early June. Two ~~2~~ press releases were issued. EDEM was very successful in attracting media and obtaining wide event coverage. Representatives from 26 media outlets (15 TV channels, two radio stations, seven newspapers, Albanian Telegraphic Agency and one magazine) plus 2 freelance journalists filed reports on the National Competitiveness Conference, including news in web sites and an article in South East European Times.

For the “The Taste of Specialty and Traditional Albanian Meat Products” Salami-M mini- fair in June a flyer was prepared and distributed to major Durres and Tirana supermarkets, hotels and restaurants. A TV Spot prepared for the event was broadcasted for 2 days by ~~in~~ a local TV, accompanied by 2 day announcements in the same local TV Station. Two ~~2~~ press releases were prepared and issued. Seventeen ~~17~~ media outlets covered the m Salami-M mini- fair (9 TV Stations broadcasted the activity (1 public, 1 news’ TV, 5 local, 1 of them ran the show for 4 minutes all day long), 6 articles appeared in ~~the~~ daily newspapers; 1 rRadio sStation announced the event; Albanian News Telegraphic Agency; and News on line (published in 2 Albanian website) covered the event.

A press release was prepared for the first meeting of Leather Goods / Shoe Productions c l u s t e r i n S e p t e m b e r - . Five

5 ~~media~~ ~~media~~ outlets covered the activity. (1 TV Station, 2 articles in the daily newspapers; Albanian News Telegraphic Agency and one article in “Monitori” magazine.

~~World Tourism Day was another important event.~~ A series of significant communication activities were undertaken in conjunction with World Tourism Day.

A group of 4 foreign journalists from Italy, Bosnia, and Germany, supported and sponsored by cluster members, were brought to Albania by EDEM to had a chance of visiting and writing articles about Albania’s tourism opportunities. Comments from the journalists included: This will serve change the image of Albania in the world. That’s how they reported in the international press after their visit in Albania

Almir Panjeta, reporter of Bosnian “Star” magazine reports “Albania, the safest country in Europe”

“There are a lot of differences between Albania and Bosnia-Herzegovina, but I think that there are a lot of things in common also, like people’s mentality, road infrastructure. We are more alike than we think. This is my first visit and I’m very surprised, because I have heard only bad words from media for this country and I didn’t feel safe to come and visit. Now I’m pleased that I saw the real Albania myself and I can introduce it to Bosnian readers”.

Franca Rossi a reporter in “Guida Viaggi” Italian magazine reported:

It’s hard to say to Italian public that some of the problems in Albania exist even there. Italian tourists will feel home here: if you want good food, get to the beach and spend little money, you can find this in Albania”.

Hansgeorg Hermann, a reporter of Frankfurter Allgemeine Zeitung reported:

“The /impression that I’m going to give my readers is that Albania, as it was and as it is now, does not need lots of changes. According to me the thing that should be changed is the politics. This has to be more open, closer to people and not to function as a closed system, as I have seen it for many years”.

A flyer and ~~a~~ poster were prepared, ~~designed and delivered~~ for the Second Travel Night sponsored by EDEM’s Specialty Tourism Cluster “Fun of Fall and Winter in Albania!” in September. Two-2 press releases were issued for the event. A Press Conference was organized with cluster members, international media, local media and other invitees. Wide media coverage was provided assured by mentioning here the participation of 10 media outlets including -3 TV Stations broadcasted the activity one of them ran the show for 5 minutes all day long; 4 articles in the daily newspapers; 1 Radio Station announced the event; Albanian Telegraphic Agency, and article in American Chamber of Commerce Newsletter covered the event.

During ~~its~~ the first 6 months EDEM issued six news releases that appeared in over 20 outlets including newspapers, radio, and television. The releases primarily made note of

EDEM cluster formation activities and highlighted that the three industry groups were initiating efforts to address issues of mutual concern to ~~all~~ the firms ~~that were~~ operating in the industry.

Thirteen news releases were prepared during last 6 last months to announce ~~to the in~~ public and media different industry group activities, cluster members' efforts and concerns, competitive concepts, cost of corruption in the business concepts, ~~and~~ major events like the National Competitiveness Conference, World Tourism Day, ~~the two 2~~ Travel Nights, ~~and the Salami/ mMeat Mmini-fair, etc.~~ Approximately ~~most~~ 80 outlets including newspaper, radio, television, websites, and international press ~~included stories about EDEM have presented these~~ activities.

~~EDEM Communication unit worked not only in cluster level, but also offered-assisted severalance in firms-le prepare promotional materials-vel, supporting cluster members in their initiatives - .-One Specialty-tTourism companyCluster member was assisted in conceptualizing/formatting a flyer and a poster for the fFirst tTravel nNight,; tTwo hHerbs and sSpices firmsCluster members were assisted in designing 2-flyers to be used atin an iInternational tTrade fFair and a-Assist one tourism cluster member was supported in their effortsto conceptualize theo design of a website. Photos also offered.~~

~~As a result of the work done by communication unit, EDEM project has been mentioned in different media outlets, even without our arrangement and involvement. In a TV Show in (June) about the tourism in Top Channel TV (not arranged by us) EDEM Project and tourism cluster were widely mentioned. A TV program was organized by a cluster member in TV Arbëria about specialty tourism cluster, where EDEM tourism consultant was invited. Also in an article about tourism of special interest in a daily newspaper EDEM and tourism cluster were mentioned~~

EG. ADMINISTRATIVE

The majority of Administrative activities have been addressed in previous reports. Significant to this past Quarter, were three main efforts:

- EDEM's staffing situation has been stabilized with the addition of the LTTA Marketing Advisor and the replacement of the LTTA SME Development Advisor. Both positions were permanently filled during the summer months.
- EDEM's Monitoring and Evaluation Plan was completed and submitted to USAID. Development of the EDEM Results Framework and Performance Monitoring Plan was closely coordinated with those of the Mission's Economic Growth Sector Strategic Objective, which were themselves undergoing revision.
- As it became apparent that a pure application of the cluster approach was not appropriate given the state of Albania's private sector development, EDEM prepared an updated strategy. The strategy, submitted to USAID/Albania in September, provides for an increased emphasis on firm level assistance and use of the cluster process for situations where industry members believe there is a strong need for cooperation such as in addressing business environment issues.

In addition to normal development implementation issues, there remains one potential barrier to EDEM achieving its overall objective, that of the project's budget. While EDEM will take advantage of every opportunity to collaborate with other donor and government efforts to strengthen Albania's SME community, there will be a need for specialized assistance in many instances. Given EDEM's current level of financial resources, it may be difficult to address many firm level problems without additional resources. EDEM will continue to work with the Mission to resolve this issue.

STTAs List September 2003 through June 2004

Name of traveler:	Arrival in Albania	Departure from Albania
David Wilcock	10/1/2003	10/10/2003
Molly McKnight	10/1/2003	10/11/2003
Joanne Adams	10/14/2003	10/28/2003
Dane Smith	11/2/2003	11/6/2003
Neal -Donahue	11/2/2003	11/6/2003
Vahe -Sahakyan	11/17/2003	11/23/2003
Maria Hipos	11/19/2003	11/25/2003
Dan Edwards	12/7/2003	12/20/2003
JoanneJoanne Adams	12/7/2003	12/19/2003
Andrew Smith	12/14/2003	12/18/2003
Dane Smith	12/14/2003	12/18/2003
David Wilcock	12/14/2003	12/18/2003

	Pavla Cornejo	2/8/2004	2/21/2004
	Tanya Torres	2/8/2004	2/21/2004
	Gerald Martin	2/23/2004	2/28/2004
	Scott -Wayne	3/22/2004	4/4/2004
	Dan Edwards	3/25/2004	4/3/2004
	Peter David Furth	3/28/2004	4/3/2004
	Andrew Smith	4/12/2004	4/23/2004
	Russell Martin Webster	4/26/2004	5/7/2004
	Dane Smith	5/11/2004	5/15/2004
	Dan Edwards	5/16/2004	6/5/2004
	Scott -Wayne	5/23/2004	6/6/2004
	Jason Bauer	5/29/2004	6/4/2004
	Andreas Widmer	5/31/2004	6/4/2004
	Dane Smith	5/31/2004	6/5/2004
	Derryck Cox	6/1/2004	6/9/2004
	Peter David Furth	6/1/2004	6/9/2004
	Charles James Dean Stathacos	6/3/2004	6/9/2004

**STTAs List
July 1 through September 30, 2004**

	Name of traveler:	Arrival in Albania	Departure from Albania
	Scott -Wayne	8/22/2004	9/5/2004
	Gerald Martin	9/13/2004	9/19/2004
	Scott -Wayne	9/26/2004	10/10/2004