



ZHVILLIMI I NDËRRMARJEVE SHQIPTARE & SHËRBIMET E TREGJEVE TË EKSPORTEVE
ALBANIAN ENTERPRISE DEVELOPMENT & EXPORT MARKETS SERVICES



Albania Enterprise Development & Export Market Services

(EDEM)

QUARTERLY REPORT

For the period

1 April 2004 through 30 June 2004

Prepared by

Development Alternatives, Inc.

For

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

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

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Albania Enterprise Development & Export Market Services

[EDEM]

This Quarterly Report covers the period from April 1, 2004 through June 30, 2004.

A. Activity Summary:

Activities during this reporting period focused in four major areas:

- 1) Getting the newly formed EDEM clusters organized and actively engaged in developing and carrying out action plans;
- 2) Supporting cluster development with anti-corruption, SME, and communication activities;
- 3) Fostering relationships with key organizations and individuals that support development of the Albanian SME community; and
- 4) Organizing a National Competitiveness Conference.

Highlights

- On May 18th, the Specialty Tourism Cluster, with 30 Albanian travel businesses participating, organized a travel fair called “Albanian Tourism Evening”. The fair, designed to familiarize Albania’s international community with Albania tourism opportunities, attracted over 300 visitors, including Kent Hill, USAID Assistant Administrator of the E & E Bureau and Harry Birnholz, USAID/Albania Mission Director.
- 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.
- The EDEM office hosted USAID/Albania on May 14th Aid meeting and was provided an opportunity to brief and update the Mission Director and Private Sector Strategic Objective team on the progress/accomplishments the EDEM project was able to obtain during its initial eight months of operation.
- The Herbs/Spice Cluster organized one cluster meeting and four work group meetings and was quite productive in setting an action plan for the cluster as a

whole and a sub-action plan for each of the three work groups. Significant activities the Cluster and its work groups are undertaking involve:

- a) acquiring international market information including market prices;
 - b) technology upgrades;
 - c) efforts to spur cultivation;
 - d) training in harvest and post-harvest practices;
 - e) investigations in accessing long-term credit lines with workable interest rates;
 - f) VAT reimbursement and profit tax reduction; and exceptionally important to the growth of the industry,
 - g) implementing a bio-certification process and establishment of a certified quality control laboratory.
- Extraordinary progress was made in moving forward the activities of the Specialty Tourism Cluster emphasized by the three cluster meetings and 21 work group meetings held during the Quarter. In addition to organizing the “Albanian Tourism Evening”, efforts are underway to:
 - a) create a tourist information office at Rinas airport;
 - b) provide Albanian overseas’ diplomats with training on tourism promotion (programmed for August);
 - c) research target markets for inbound tourists;
 - d) develop an internship program in collaboration with the Tourism Department of the Economic University;
 - e) organize training efforts focused on improving the quality of staff in travel businesses; and
 - f) work with the government to develop/implement policies and strategies that positively impact expansion of Albania’s tourism industry.

Significant support to the Cluster has been development of close relationships with the network of American Peace Corps Volunteers scattered around Albania. Many Volunteers have expressed a strong interest to collaborate with the EDEM cluster in encouraging tourist development at their sites. EDEM will continue to foster these relationships.

The Cluster, through its STTA Scott Wayne, created the “Turizimi Shqiptar” yahoo user group. This effort is critical to the information flow among the Cluster members and other interested parties, including the Peace Corps Volunteers.

- While the Meat Processing Cluster has not evolved as rapidly largely due to a historical lack of interaction among the processors and their strong individualized company strategies, it has been able to move itself forward. Two cluster meetings were held during the Quarter at which the cluster members agreed to develop collaborative activities. Cluster members agreed

that in order for the industry to develop and their individual companies to grow efforts on market learning and making strategic market choices needed to be undertaken. This work is underway. In addition, cluster members began to organize an “Albanian Specialty Meats Minifair” in Durres to allow them to exhibit their products to area hotels, restaurants and supermarkets. (The event held on July 7 was exceptionally well received with 12 exhibitors and approximately 150 attendees. Most significant, the event provided a forum for the processors to successfully work together, which will pay large dividends in future cluster activities.)

- Corruption’s effect on building Albania’s competitiveness was the focus of two anti-corruption workshops held on May 4 and May 5. Recognizing the importance of communicating corruption’s effect to the public, corruption and the costs incurred by Albanian businesses was the focus of a dialogue on May 4th between EDEM and 18 media representatives. On May 5th representatives from 13 businesses and several government ministries participated in a discussion on the consequences of informal transaction costs and the impact on upgrading Albania’s competitiveness. Planning for two significant activities to be carried out in the coming months was initiated during the Quarter:
 - a) a survey to collect information on the barriers for enterprise development with a focus on corruption and its impact on business development. The survey will be done in coordination with USAID’s Civil Society Corruption Reduction project carried out by MSI. The survey will be conducted by a local NGO, IDRA, an EDEM subcontractor, in July and August.
 - b) a National Forum on Corruption will be organized for the Fall with representatives from the business, government, civil society, donor, and media communities participating. The interest is in creating a public discussion on corruption and the negative impacts that result to business’ ability to be competitive, the real and societal costs to the public, and the substantial harm it causes to Albania’s international reputation and the negative effects that flow from a damaged reputation.
- Each EDEM cluster has identified training in various topics - management functions, marketing, production and technology, customer service, etc. - as crucial to developing the competitiveness of the cluster industry. EDEM’s SME Development activity has begun to layout a training program for each cluster looking to address cluster needs through both internal and external resources. Training activities will begin in the coming Quarter. Two additional cluster support activities this past Quarter were:
 - a) Partially to support training activities, but also to support development of sustainable services, EDEM has completed a Business Service Providers (BSP) Survey. The Survey identifies Albanian private for profit, NGOs

and other organizations that have the ability to provide sustainable services to the cluster members and the overall SME community. The BSP Survey identifies the organizations, classified according to their organization type and makes note of the types of services the organizations can provide. The Survey information can be valuable to the clusters as they address the various issues impeding the development of their industries and individual firms.

- b) During this Quarter, planning was begun to undertake a comprehensive survey of donor programs supporting SME development in Albania. This survey will identify donor programs, their activities, type and amounts of funding, their target market/sector and identify any application process they use to respond to SME support requests.

- Significant to increasing Albania's competitiveness is making the public aware of progress in the form of successes and opportunities, as well as obstacles encountered. Supporting this objective, extensive media coverage was provided to EDEM related events during the Quarter. Both the "Albanian Tourism Evening" and the National Competitiveness Conference were comprehensively reported on by television, radio and the print media, including daily and weekly newspapers and magazines.
 - a) Coverage of the National Conference was broadcast over 15 TV stations, two radio stations and articles were published in seven daily newspapers as well as the Southeast European Times and the "Monitori" magazine. Over 20 journalists covered the event.
 - b) "Albanian Tourism Evening" was covered by nine TV stations and two radio stations and articles were published in six daily newspapers and the "Monitori" magazine.

EDEM itself issued seven press releases covering cluster meetings and EDEM-sponsored events.

Collaboration

Central to EDEM's cluster support is leveraging assistance from other USAID funded projects, other donor organizations, NGO's, as well as the programs of government agencies. EDEM has continued to foster strong relationships with the donor community so that appropriate resources can be marshaled to address the clusters' priority needs. During this past Quarter, EDEM continued to meet on a regular basis with key assistance providers such as the Small Business Credit and Assistance Project, World Learning, ACIT, Land O'Lakes, Media Development in Albania, GTZ, and IFC-SEED. These meetings were held to update the various programs on latest EDEM developments, keep them informed on the progress of cluster formation, and keep EDEM informed regarding the capability of the different programs to assist the clusters in addressing their issues and obstacles.

In addition, EDEM maintains regular contact with government ministries and agencies involved in supporting development of the SME community through cluster activities and in direct meetings. Among the government entities involved in EDEM's efforts are: the Ministries of Economy, Agriculture, Culture, Environment, and Territory and Tourism, and the Export Promotion, SME Development and Foreign Investment Promotion agencies.

Examples of collaborative efforts that were discussed/undertaken this past Quarter include:

- Financial Service Volunteers Corps – FSVC is initiating an effort to provide risk management training to several local insurance firms. As a part of their effort, there is the opportunity for the FSVC volunteer to work with EDEM cluster firms to increase their awareness/knowledge regarding risk management issues.
- World Learning – In addition to WL providing the opportunity for support of EDEM cluster training and trade fair activities, EDEM firms were invited to participate along with Foreign Investment Promotion staff on a study tour to the Czech Republic scheduled for this Fall.
- MSI – As mentioned above, USAID's Civil Society Corruption Reduction project, implemented by MSI, is jointly undertaking with EDEM a broad survey on corruption and its impact on the business community.
- Soros Foundation – Soros and the Tirana and Vlore Regional Development Agencies, with EDEM involvement, is undertaking a training program for tourism related businesses in the Vlore region. EDEM will assist in identifying training needs and help the RDA adapt its regular training efforts to better support tourism-related organizations.
- Peace Corps – An exceptionally significant and potentially very fruitful partnership has been created between EDEM and the American Peace Corps. The majority of the 28 Peace Corps Volunteers are working with local municipalities, RDAs and civil society programs. Discussions with the Peace Corps indicated that a good number of the Volunteers had a strong interest in including competitiveness efforts, especially tourism related, as a part of their assignment. With the Volunteers serving throughout Albania, they offer an excellent network through which the Specialty Tourism Cluster can reach out to local government, who are critical to the development of Albania's tourism industry.

On June 9th EDEM staff, as a part of a Peace Corp in-service training exercise in Korce, introduced the approach and activities of the EDEM project to the Volunteers. The three clusters were presented as well as information on how to deal with the Albanian media. As expected the Volunteers have a high

interest in working on local tourism initiatives, but also are interested in supporting the herbs/spice industry as well. Following the in-service training, many of the Volunteers have become involved with tourism efforts. A number of them participate actively in the “Turizim Shqiptar” yahoo user group, interchanging tourism development ideas and practices.

Prior to the in-service training, approximately 10 Volunteers were able to participate in the National Competitiveness Council.

B. EDEM Clusters:

Meat processing

During the past Quarter, the Meat Processing Cluster continued its organizational process and efforts to identify activities that the firms are comfortable collaborating on. Historically, collaboration and interaction between the meat processing companies has been limited. While two associations have been organized that represent their interests, they have not been very successful in attracting substantial and active membership. Overall, the industry is characterized by numerous initiatives widespread across the country, each with significant investments and strong individual marketing strategies for increasing their own market shares.

On April 20th the third cluster meeting was held to review the current market situation and to identify market opportunities as well to prioritize cluster activities through creation of a cluster industry action plan. This cluster meeting was the first one to gather the core industry members and extended cluster stakeholders. Specialists from the Ministry of Agriculture’s Veterinary Service Department as well as representative of donor funded development activities such as Land O’ Lakes and industry associations: ADAMA and AMPA participated in cluster discussions.

EDEM STTA Andrew Smith from the OTF Group presented characteristics of the current domestic market situation. The focus was on the competition among the firms each selling standard products and their efforts to increase their respective capacities to satisfy a static market, rather than trying to grow the market with specialized and unique products. In response, two strategic directions for collaborative activities were identified by the cluster members to develop the meat processing industry:

- identification of a marketing strategy based on intensive market learning and
- creation of operational strategy to further develop product options and product quality that provide an opportunity to access market openings identified by the market research efforts.

The marketing strategy will address both domestic and international market opportunities. International market research efforts will focus on distribution contacts and import procedures for regional markets such as Kosovo, Macedonia, Montenegro and

Greece, but will also pay attention to opportunities in several traditional markets such as Italy, United States, and the United Kingdom. In addition to market research, the strategy calls for efforts to increase and focus promotional activities, generation of new products, the continued upgrading of technology, and marketing training.

The first steps in the market learning process have been taken by the cluster with the assistance of the EDEM marketing staff. Approximately 20 interviews focusing on high end products sold in supermarkets, restaurants and mini-shops in Tirana and Durres were conducted. The research showed that while Albanian meat processors have a dominant position in the overall processed meat category, they have a hard time competing in higher value (higher margin) product categories. About 75% of high end products sold at the retail level or used in restaurants are imported. These products represent the bulk of imported products and likewise have the greatest potential for export. Research findings indicate that if Albanian processors can improve the quality of their products, market them appropriately at a competitive price, and be consistent in their delivery, there is a significant willingness on the part of Albanian buyers to switch from imports to domestically produced products. Similarly, such a product/marketing approach will be required for expansion into export markets.

Results of the market survey were presented at the 4th meeting of the Meat Processing Cluster held on 25th of May. EDEM staff also described some characteristics of specialty products and potential improvements that could be made to current distribution channels. Cluster members indicated a willing interest to produce unique products and to collaborate with other local processors in promoting these products in Albanian markets and abroad. They also agreed on the need to collaborate in securing government support for exports and getting their products certified to international meat international standards. Significant was an agreement to organize a venue to jointly market their products to Albanian buyers. Their idea was to present their products – both old and newly developed – to supermarkets, hotels and restaurants, offering them alternatives to the imported products those buyers currently used. (A highly successful event was held on July 7 and will be reported on in the next Quarterly Report.)

The operational strategy will concentrate on adoption and implementation of international food safety standards, technology improvements, securing raw material with sustainable quality, and management and technology training.

Securing quality raw material is one of the major concerns of cluster members. In response, a group of meat processors gathered in early 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. Almost all MDM is currently imported as frozen product, although several meat processors have expressed dissatisfaction in the quality of the imported product. The essential criteria for the use of de-boned meat are freshness and cleanness. According to preliminary research done by EDEM, chicken de-boned meat could be produced domestically as the price for old hens, slaughtering and packaging are fairly low. A reasonably small investment in a de-boning separator could enable the

production of MDM for Albanian meat producers. At least one Albanian company, Driza Co., seems to be interested in pursuing such an investment.

Herbs/Spices

The third Herbs/Spices Cluster meeting was held in May. The principle topics discussed were:

- a) updating the cluster members on work group activities;
- b) bio-certification;
- c) establishment of a quality control laboratory; and
- d) preparation for the National Competitiveness Conference.

“Bio-certification” provides an opportunity for Albanian herb/spice entities to enter markets with a higher value product than simply selling gathered herbs/spices as a low value bulk commodity. Although some Albanian herb and spice businesses have already begun to “bio-certify” their products through international certifying and inspection bodies with resulting higher margins, the majority of Albanian firms have yet to take advantage of this opportunity. EDEM staff presented the recently passed Albanian law on bio-certification and related other countries’ experiences with the process. Businesses present at the meeting were invited to study the law and provide relevant comments that will be passed on to the Ministry of Food and Agriculture. Staff are continuing to contact non-present herb and spice businesses to inform and introduce them to the new law and offer them the opportunity to provide their comments.

Related to “bio-certification” is the establishment of a quality control laboratory. There is great interest among herbs/spice companies to see a laboratory set up here in Albania, which would alleviate the need to send products abroad for testing or the costly expense of importing international certifiers. On behalf of the Cluster, EDEM has initiated discussions with Land O’Lakes to determine what might be required to expand the capabilities of the recently established food-testing laboratory created with Land O’Lakes support. With support from FFF Associates, an experienced U.S. certification laboratory has become interested in developing an Albanian/American joint venture. As part of the discussion, EDEM will support preparation of a business plan, which will indicate the market demand and viability of establishing a laboratory in Albania.

Cluster Work Groups

Initially the Herbs/Spice Cluster created four work groups to more effectively identify and define the issues and obstacles facing the herbs and spice industry. Following discussions during preliminary meetings, in order to eliminate redundancy, the Cluster decided to combine the marketing and export work groups into one resulting in three operating work groups.

- a) Technology

- b) Marketing/Exports
- c) Government/Policy issues

Issues discussed by the work groups during the Quarter are presented below.

Technology Work Group - the Work Group is focusing on three major areas:

1. Technology upgrade - There is a considerable need for cluster businesses to upgrade their processing equipment in order to better grind and clean raw product. Efforts are being made by EDEM to search for equipment supply sources readily accessible to the Albanian firms. Croatia seems to be a potential equipment supply source due to the high quality equipment produced there and its geographic proximity to Albania.

2. Cultivation - Even though there remains a debate regarding the viability, most of the herbs/spice companies support the concept of cultivation of some of the herbs and spices. Cultivation has the potential release pressure on the environment caused by wild harvesting and could help plant regeneration efforts. Cultivation research efforts are a four-step process:

- a) preparation/design and distribution of a survey to core businesses in order to receive their feedback regarding plants to be cultivated, the firms' potential capacities and financial needs;
- b) analysis of the information gathered from the firms;
- c) undertaking a feasibility study; and
- d) connecting interested firms with financial institution that provide grants or credit lines.

EDEM will integrate cultivation efforts with work on plant regeneration efforts in their natural state. Promotion of educational materials and production of TV documentaries to increase the awareness on the need for preservation and to support marketing the Albanian aromatic and medicinal flora will be undertaken as well.

3. Training - Training on harvesting and post-harvesting handling techniques and appropriate processing technologies is continuing need of the industry. To further refine the need, EDEM has designed and is distributing a training needs assessment survey t. Based on the feedback, training modules will be prepared and offered to cluster businesses. EDEM is coordinating with other programs such as GTZ, RDA and Oxfam in order compliment their efforts and avoid duplication.

Marketing/Exports This Work Group is focused mainly on two major issues:

1. Bio-certification - Bio-certification is being paid a great deal of attention by the Albanian herbs and spice dealers as it confirms the excellent biological characteristics of Albanian herbs and spices, and provides a comparative advantage in the

international market. Efforts are continuing to explore and identify what is required to properly conduct “bio-certification” in Albania.

2. Information on international prices and markets, and marketing of Albanian products - The industry has identified a real need for information on prices and new markets to enable them to better respond to market opportunities and market demands. This need is growing as the dollar/euro is dropping and many Eastern European countries are competing with cultivated items. Market research is being carried out to explore potential markets and products that would provide Albanian dealers with not only comparative but also competitive advantages.

Government / Policy Issues - Issues discussed by this Work Group are mostly long-term in nature:

1. Long-term credit lines and lower interest rates - The harvesting period of herbs and spices is about six months long with cash payments being made throughout the period. Cash flow requires outlays with no inflow. To be able to operate, businesses have a need for appropriately priced credit lines. Although some financial institutions do offer credits, most often the short term credits come with high interest rates. To support efforts of the businesses to find cheaper sources of credit, the EDEM Lender Survey will be made available to all the firms and, where appropriate, EDEM will help facilitate the credit applications.

2. Reimbursement of the VAT and Profit tax reduction – Herbs/spice businesses suffer from a high profit tax of 25%. Meetings conducted over the last two years with representatives from the Ministry of Economy have not resulted in any change in policy. EDEM is helping the Work Group assemble its issues and formulate a strategy for meeting with government representative.

3. Law revision – Work Group representatives believe for the industry to be competitive, several Albanian laws need amending. The law on VAT reimbursement, when applied, makes it obligatory to have the export documents sealed by the receiving customs office, which makes VAT reimbursement impossible and the recent Law on Bio-certification are two examples. EDEM is meeting with businesses and asking them to describe the non-operational aspects of the laws. Once businesses provide their comments, EDEM will help arrange meetings with government representatives to give the businesses a forum from which they can present their case. The herbs/spice industry bring in a significant amount of foreign currency and needs to be supported by the government.

Related Activities

In support of Cluster efforts, a number of related activities were carried out during the Quarter.

- Discussion and a field trip with a US Forest Service representative regarding possible areas of cooperation such as: quality assurance (including laboratory and export certification issues), cultivation efforts, bio-certification/organic certification, and, importantly, environmental sustainability issues.
- Several Cluster firms participated in a B-2-B event hosted by the USAID funded Kosovo Business Support project. Several contacts were established that might result in cross-border business activities. (One of the Kosovo businesses actually participated in a Cluster meeting.) EDEM and the Kosovo project have exchanged lists businesses involved in herbs and spices in both countries, providing businesses in both countries with opportunities for regional cooperation. EDEM is also considering Kosovo as a potential client country of the quality control laboratory services.
- Possible cooperative efforts between the Mountain Areas Development Agency (MADA) and EDEM have been discussed. MADA representatives outlined some of their possible programs related to the funding of assistance, particularly in cultivation, of the herb and spice businesses in areas they operate, with the potential for expansion of this assistance in other districts like Tepelena and Saranda. MADA is also interested in possibly funding the completion of the map of locations of herbs/spices in several districts.

In addition, the Cluster and EDEM have held discussions with numerous organizations to identify possible areas of collaboration:

- GTZ – development of technical trainings and materials (mainly pocket books with description of plants and corresponding harvesting techniques) addressed to harvesters/gatherers in remote areas; creating a market information System (MIS) just like the one designed and established for the fruits and vegetables; and establishment of a bio-certification process in Albania..
- Berat Regional Development Agency – mutual training activities and efforts to encourage cultivation activities.
- Small Business Credit Assistance – SBCA provided a list of the herb and spice SBCA clients that have been assisted with consulting, training or crediting.
- “Pro Albania” (a member of the Albanian Austrian humanitarian association) – offered to support an Albanian booth at an upcoming trade fair to promote products such as Albanian-packed herbal teas.
- Albanian Chamber of Commerce and Industry –EDEM was asked to organize a workshop where representatives from concerned government institutions and herb and spice businesses could discuss key issues/challenges the industry is facing and ways of overcoming them.

Specialty Tourism

During this Quarter, the Specialty Tourism Cluster conducted a number of activities among themselves and with other stakeholders in the tourism industry. New members joined the cluster, thus giving more shape to the cluster profile.

In this Quarter, three cluster meetings were held to analyze tourism in Albania, prioritize issues, plan cluster strategies, and prepare action plans. To advance the latter, cluster members organized into working groups, appointed chairmen and vice chairmen and began assigning themselves specific tasks to address the key issues of each working group and the cluster overall. Each working group has been creating work plans with actions based on results ranging from short to long term and meeting at least once a month. Information about their activities is beginning to flow between and among cluster members and other interested parties, such as Peace Corps Volunteers, through the “Turizmi Shqiptar” yahoo user group, which was established in June.

The 2nd Specialty Tourism Cluster meeting, held on April 2nd, 2004, focused on the identification of key issues and challenges that impede tourism development. The Cluster completed a SWOT analysis, which resulted in the formation of three work groups:

- a) Marketing and Promotion
- b) Training and Customer Care
- c) Government and Policy Reform

A 3rd Cluster meeting on May 26th, 2004 reported to the full cluster on work group activities and future actions. More work was undertaken on action plans. Members were also briefed about the then-upcoming National Competitiveness Conference.

Work Group Activities

Marketing & Promotion Work Group - This group meets every week and is focusing on the following:

- create business opportunities and increase collaboration;
- 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 and is conducting a number of activities:

- On May 18th, the group organized a travel fair called “Albanian Tourism Evening”. This activity assisted with connecting over 30 Albanian travel businesses with immediately available markets – the expat community in

Tirana. About 300 visitors attended the event, which was partially hosted by the Rogner Hotel.

- Additional research is being conducted on existing products and suppliers of specialty tourism products.
- The group is now working on setting up an information desk at Rinas Airport for tourism promotion. This involves working with the necessary government authorities to ensure legal approval and full support.
- Albanian Embassies and diplomats are also being targeted for tourism promotion activities. The members are researching ways to collaborate with the Ministry of Foreign Affairs, particularly with conducting a two-day training program on tourism promotion for diplomats. The target date for this is the end of August when Albanian diplomats return to Tirana for home visits and Ministry briefings.

Training & Customer Care - This group is focused on improving the quality of staff in travel and tourism as a key path to improving the quality of Albania's tourism offer. They are focusing on the following types of training:

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

To date, this group has conducted or is conducting the following activities:

- Researching different training options both locally and internationally to address the above identified needs.
- Review options and deciding on those that best meet the needs of the cluster.
- Agreed among themselves to partially finance training costs.
- EDEM is identifying other possible co-funding support.
- Agreement has been reached with the University of Tirana (Economics Faculty) to initiate a summer internship program in tourism for their students.

Government & Policy Reform - This group is focused on ways private sector cluster members can best work with government. They are striving to work with government as closely as possible in developing and implementing policies and strategies that impact tourism development in Albania. The group has drafted an action plan emphasizing advocacy and strengthening cooperation. They are focusing on the following actions:

- Industry review of the official Tourism Development Strategy;
- An Advisory Group has been formed and is seeking to present the cluster review of the strategy to the government. It is comprised of two representatives from each of the working groups.
- Continual review and consultation process with the government on tourism issues.

To advance awareness of the tourism cluster and demonstrate the members' commitment to improving Albania as a tourist destination, the members are considering a "Memorandum of Understanding."

Other Activities

In June, EDEM staff participated in the Peace Corps' "In-Service Training in Korce. This offered EDEM the opportunity to strengthen ties with Peace Corps Volunteers (PCV's) based throughout the country. Several PCV's have expressed an interest not only in tourism development in their communities, but in linking with EDEM, the tourism cluster and other PCV's towards the formation of regional sub-clusters. EDEM is following up with the PCV's on ways to sustain the momentum generated at the "In-Service Training" meeting.

EDEM staff traveled to Saranda to assist with the visit of Mr. Thomas "Woody" Mefford, USAID Deputy Assistant Administrator for Eastern Europe. Cluster members Alban Zusi and Rafaela Rica, both of whom are working group chairs, presented the Specialty Tourism Cluster activities to Mr. Mefford., Sarah Berry, and the municipal officials of Saranda. The Municipality also presented its work plan on tourism development.

The Saranda Municipality leaders from the tourism development office and especially the Mayor Edmond Gjoka, are active supporters of tourism development in the region. The Municipality has already conducted three meetings with tourism service providers on ways to develop tourism in Saranda and the region. The Mayor extended an invitation to EDEM, the tourism cluster and other tourism stakeholders to meet in Saranda and discuss ways to coordinate and to collaborate in tourism development work.

EDEM staff met with Stefania Petrosillo, Project Manager of CISP (Comitato Internazionale per lo Sviluppo dei Popoli), an Italian-based organization working on a pilot project "Technical Assistance for Community Based Tourism Development". The project is funded by the World Bank. The project is supporting Butrint Archeological Site & National Park. The purpose of the project is to make the surrounding villages and towns more aware of the National Park beyond the archaeological site of Butrint and bring about collaboration with the Park as a whole. It is hoped that by encouraging nearby residents to develop businesses around the park, they will become active stakeholders and take a greater interest in its preservation. Petrosillo is very interested in participating in future cluster meetings, particularly if a Saranda sub-cluster is created.

Leather Goods/Shoe Production - ACIT

The Albanian Center for International Trade, ACIT, an EDEM implementing partner, in its efforts to forge closer ties with the Albanian private business community, and with the approval of USAID/Albania, accepted the challenge to form and guide a cluster following the EDEM approach. ACIT prepared industry profiles for three sectors – textile & garments, leather goods & shoe production, and wood/furniture. The profiles were prepared consistent to the process used by EDEM when it was selecting its clusters.

With support from EDEM, the profiles were subjected to the Cluster Selection Criteria previously approved by USAID for the EDEM clusters. Based on the Criteria, ACIT intends to recommend to USAID formation of a Leather Goods & Shoe Production Cluster. (At a meeting on July 12, USAID accepted ACIT's recommendation to move forward to the next step in the cluster selection process.) In organizing and carrying out the cluster activities, ACIT will provide the day-to-day staffing and be responsible for the overall management of the cluster, while EDEM will actively support implementation of cluster activities through use of its internal and external resources.

C. Business Environment

National Competitiveness Conference

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.

In addition to presentations from the three EDEM clusters on their activities and the progress they are achieving, topics covered during the day-long event included:

- Albania's comparative competitiveness standing;
- What financial institutions consider in lending to businesses;
- Albanian foreign trade development; and
- The cost of corruption and its effects on competitiveness.

Following the topical presentations, the conference attendees were provided with the opportunity to give their input into issues that affect their ability to be competitive. A series of round table issue group discussions were held covering:

- Branding Albania positively;
- Public information strategy for business development;
- The regulatory environment;
- Innovation and creativity; and
- Anti-corruption.

The complete conference agenda can be found in Annex 1.

Important to the discussions, the event drew representatives from four Ministries, each of whom provided encouraging remarks to the attendees and emphasized the government's support for developing a competitive Albania.

Critical to the success of the Conference was the comprehensive coverage provided by the Albanian media. Making the public aware and encouraging their participation in pushing a national competitiveness agenda is absolutely necessary if Albania is to move forward. Coverage was broadcast over 15 TV stations, two radio stations and articles were published in seven daily newspapers as well as the Southeast European Times and the “Monitori” magazine. Over 20 journalists covered the event.

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. Corruption directly increases the costs of doing business by adding a surcharge to Albanian products making them more expensive for the end buyer. Corruption also places a black mark on the country and its business sector, creating a negative image of Albania, which leads to increased hesitation for others to want to do business with Albanian firms.

Recognizing that corruption is pervasive throughout Albanian society and is considered ‘a normal way of doing business’, EDEM is focusing its anti-corruption strategy on:

- a) improving the dialogue between business, consumers (civil society), and government by adding better information and better analysis of the costs to all players in the economy – shifting the debate on corruption from a political focus to an economic efficiency and economic growth focus;
- b) strengthening the common voice of business about leveling the playing field, and the common commitment of business to hold the government accountable for legal reforms and fair enforcement;
- c) increasing transparency and timeliness of information about the status of anti-corruption initiatives of the government in regard to its relationship with business (mainly administrative corruption); and
- d) linking these initiatives into the clusters, but seeking ways to broaden this message and attract the interests of larger numbers of Albanian SMEs.

By improving the information, this should improve the quality of debate among businesses, improve their understanding of why a level playing field is needed, and in turn create more pressure on the government to implement and enforce procedures that reduce the formal and informal transaction costs to business.

To assist Albania in combating corruption, EDEM initiated several activities this past Quarter as a part of its overall strategy to help Albania increase its competitiveness.

Corruption’s effect on building Albania’s competitiveness was the focus of two anti-corruption workshops held on May 4 and May 5. Recognizing the importance of communicating corruption’s effect to the public, corruption and the costs incurred by Albanian businesses was the focus of a dialogue on May 4th between EDEM and 18

media representatives. On May 5th representatives from 13 businesses and several government ministries participated in a discussion on the consequences of informal transaction costs and the impact on upgrading Albania's competitiveness. This latter workshop was done in collaboration with the USAID funded Civil Society Corruption Reduction project implemented by MSI as well as the Albanian Coalition Against Corruption.

Additionally, corruption, its costs and implication to developing Albania's competitiveness was a major topic presented and discussed at the National Competitiveness Conference.

Planning for two significant activities to be carried out in the coming months was initiated during the Quarter:

- EDEM will undertake a survey to identify the barriers for enterprise development and to collect more precise data on the greatest administrative transaction costs faced by businesses. The survey will focus on corruption and its impact on business development. The survey will be done in coordination with the Civil Society Corruption Reduction. The survey will be conducted by a local NGO, IDRA, an EDEM subcontractor, in July and August. Results will be presented to the business, government and donor communities and will be widely disseminated to the media.
- A National Forum on Corruption will be organized for the Fall with representatives from the business, government, civil society, donor, and media communities participating. The interest is in creating a public discussion on corruption and the negative impacts that result to business' ability to be competitive, the real and societal costs to the public, and the substantial harm it causes to Albania's international reputation and the negative effects that flow from a damaged reputation.

D. SME Development

In response to needs identified by the clusters, EDEM has continued to develop base material and initiate activities that enable the clusters and cluster member firms to strengthen their capabilities,

Each EDEM cluster has identified training in various topics - management functions, marketing, production and technology, customer service, etc. - as crucial to developing the competitiveness of the cluster industry. EDEM's SME Development activity has begun to layout a training program for each cluster looking to address cluster needs through both internal and external resources. EDEM has begun 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 numerous NGO

organizations in order to identify potential training resources. Training activities will begin in the coming Quarter.

Additional cluster support activities this past Quarter included:

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 support the firms after completion of the EDEM project. To support development of sustainable services, EDEM completed and distributed a Business Service Providers (BSP) Survey this past Quarter. The Survey identifies Albanian private for profit, NGOs and other organizations that have the ability to provide sustainable services to the cluster members and the overall SME community. The Survey identifies the organizations, classified according to their organization type and makes note of the types of services the organizations can provide. (A copy of the Survey has been forwarded to USAID.) (Copies of the Survey questionnaire can be found in Annexes 2 and 3.)

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. Most Albanian business service providers offer basic training courses and business plan preparation and have expressed an interest in developing more sophisticated business consultancy services. 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.

As appropriate, EDEM will look 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 as 'observers/students'. For example, if the situation is appropriate and a willing BSP is identified, when an EDEM STTA is providing assistance to a cluster/firm, opportunities for mentoring will be offered.

During this Quarter, planning was begun to undertake a comprehensive survey of donor programs supporting SME development in Albania. This survey will identify donor programs, their activities, type and amounts of funding, their target market/sector and identify any application process they use to respond to SME support requests. Please see Annex 4 for a copy of the survey questionnaire.)

E. Communications

Significant to increasing Albania's competitiveness is making the public aware of progress in the form of successes and opportunities, as well as obstacles encountered. Supporting this objective, extensive media coverage was provided to EDEM related events during the Quarter. Both the "Albanian Tourism Evening" and the National

Competitiveness Conference were comprehensively reported on by television, radio and the print media, including daily and weekly newspapers and magazines.

Coverage of the National Conference was broadcast over 15 TV stations, two radio stations and articles were published in seven daily newspapers as well as the Southeast European Times and the “Monitori” magazine. Over 20 journalists covered the event.

“Albanian Tourism Evening” was covered by nine TV stations and two radio stations and articles were published in six daily newspapers and the “Monitori” magazine.

To further increase public awareness of Albanian competitiveness activities, EDEM:

- issued seven press releases covering cluster meetings and EDEM-sponsored events;
- published for general distribution an updated brochure describing the EDEM project and a new ‘fact sheet’
- organized the media briefing with reporters on the cost of corruption in the businesses;
- supported “Albanian Tourism Evening” by preparing a flyer and poster for advertising the event and assisted cluster members prepare information material;
- consulted with TV Arberia and Top Channel TV on programs covering specialty tourism and the Specialty Tourism Cluster; and
- provided support to the “Monitori” magazine on publication of a series of articles dealing with the herbs/spices industry and the EDEM cluster.

In addition, two other media pieces were prepared, a TV documentary on Competitiveness and an article for the “Monitori” magazine on the need for Albanian meat processors to diversify their products. Both pieces have been submitted to USAID for their review and approval.

F. Administrative

Staffing

Project long term staffing has continued to be an issue affecting project implementation. An individual was identified to fill the market development advisor position, but unfortunately shortly after his arrival, he became ill and was forced to resign. The SME Development Advisor who had been with the project since its inception left in June for personal reasons. Fortunately, well qualified individuals have been identified as replacements and are expected to join the Project early in the coming Quarter. Their arrival will complete the EDEM team and allow its activities to go fully forward this Fall when cluster activities swings into high gear.

An effort to hold a stakeholder/staff team building activity that had been programmed for the Quarter has been postponed until this Fall. The Project's workload was tremendous during this past Quarter and combined with the change in staff lead to the decision to hold the session later when more preparation time was available and the staffing situation had stabilized.

STTA

During this past Quarter the following STTA provided service to EDEM and the EDEM clusters:

STTA for the period from April 1 - June 30

	Name of traveler:	Arrival in Albania	Departure from Albania
1	Scott Wayne	3/22/2004	4/4/2004
2	Peter Furth	3/28/2004	4/3/2004
3	Andrew Smith	4/12/2004	4/23/2004
4	Russ Webster	4/26/2004	5/7/2004
5	Dane Smith	5/11/2004	5/15/2004
6	Dan Edwards	5/16/2004	6/5/2004
7	Scott Wayne	5/23/2004	6/6/2004
8	Jason Bauer	5/29/2004	6/4/2004
9	Dane Smith	5/31/2004	6/5/2004
0	Andreas Widmer	5/31/2004	6/4/2004
11	Derryck Cox	6/1/2004	6/9/2004
12	Peter Furth	6/1/2004	6/9/2004
13	Charles Stathacos	6/3/2004	6/9/2004

EDEM Results Framework and Performance Monitoring Plan

Although the EDEM RF and PMP have not been officially approved by USAID, the collection of baseline data on the 16 proposed PMP indicators began during this Quarter. The onset of the baseline data collection was made possible after selecting the industry clusters that EDEM will be working with over the life of the project. USAID and EDEM will be meeting in July to finalize an agreement on the RF and PMP.

USAID/GIS

USAID/Albania has begun development of a GIS program that will not only support the Mission's activities, but the implementing partners as well. EDEM is in position to not only contribute to USAID's data collection efforts, but also to significant benefit from the information mapping efforts. EDEM identified several sets of indirect indicators for inclusion in USAID's GIS.

- Regional location of commercially important herbs where the presence and quantitative availability of the herbs will be mapped and changing dynamics monitored. This is a continuation of the work already done by previous USAID activities. EDEM and the GIS unit at USAID will leverage this activity by updating the available information and trying to extend the information database to regions not yet included.
- Tourist service capacities as measured by commercially available tourist lodging facilities (beds) by region. This is an indicator that indirectly measures the tourism industry development in a given geographical area. EDEM and the GIS unit will work together in securing and updating the information.
- Mapping of objects of interest for the special interest tourism customers such as: archeological sites, sites of cultural importance, monuments of nature, potential adventure tourism sites, etc.

EDEM will provide information to update the databases maintained by the GIS unit on general S.O.1.3 indicators. The indicators on which EDEM will report are:

1. Number of USAID assisted enterprises in agriculture and livestock; and
2. Number of non agriculture enterprises assisted by USAID.

ANNEX 1

INVITATION: ALBANIAN BUSINESS ON THE ROAD TO COMPETITIVENESS

June 2, 2004
17:30

Sheraton Hotel

8:30 to

Themes

You are cordially invited by the EDEM project to attend a major conference event. The theme of the event is “Albanian Businesses on the Road to Competitiveness.” We will provide technical information on how business operations improve competitiveness at the micro-economic level, considerations financial institutions use in lending to businesses, as well as data on Albania’s foreign trade situation and competitiveness. Information about the costs to business of corruption will be provided.

Reports on the substantial progress in organization and actions for three business clusters will be provided by representatives of specialty tourism, herbs and spices, and the meat processing industry. Round table discussions will be conducted to seek recommendations on topics that require specific actions to improve competitiveness:

- Public information strategy
- Regulatory environment
- Innovative practices
- Creating a positive brand for Albanian products
- Anti-corruption

Program

8:30 **Registration and Coffee, Viewing Posters and Materials about Business Clusters**

9:00 **Official and Introductory Remarks by Invited Officials**

Steven Zate, Chargé D’ Affaires, US Embassy, Arben Malaj, Minister of

Finance

Anastas Angjeli, Minister of Economy, Harry Birnholz, USAID Mission

Director

9:30 **Welcome and Introductions/Goals**

*Tom Rulland, Director DAI/EDEM Project, Dan Edwards Workshop
Facilitator, TRG Inc.*

- 9:45** **Micro Enterprise Development: *On the Frontier Group (OTF)*** – *Dane Smith*
- 10:30** **Coffee break**
- 11:00** **Competitiveness – What Financial Institutions Consider in Lending to Businesses-** *Steven Grunerud, CEO Banka E Kursimeve*
- 11:30** **Albanian Foreign Trade Development** – *Albanian Center for International Trade, Selami Xhepa, Research Director*
- 12:15** **The Cost of Corruption and its Effects on Competitiveness -** *Kostandin Kazanxhi, EDEM Anti-corruption Advisor, Auron Pasha, IDRA*
- 13:00** **Lunch Break**
- 14:00** **Observations on the Government’s Role in Support of Business Development**
Agron Duka, Minister of Agriculture, Bashkim Fino, Minister of Territory & Tourism
- 14:30** **Cluster Group Presentations On Progress**
- **Specialty Tourism Service Industry 14:30—14:45**
 - **Herbs/Spices Industry 14:45—15:00**
 - **Meat Processing Industry 15:00—15:15**
- 15:15** **Break**
- 15:45** **Round Table Issue Group Discussions**
- ✓ Branding Albania Positively
 - ✓ Public Information Strategy for Business Development
 - ✓ The Regulatory Environment
 - ✓ Innovation and Creativity
 - ✓ Anti-corruption
- 16:45** **Issue Group Reports**
- 17:30** **Closing Remarks,** *Tom Rulland, Director EDEM Project*
- 18:00** **Reception**

ANNEX 2

BUSINESS SERVICE PROVIDER SURVEY

Name of organization: _____

Location: _____

Contact person: _____

Tel/Fax: _____

Email: _____

Website: _____

I. Products and Services

1. What services/products do you offer? (Please list all.)
2. Who is your target market?
3. What type of clients do you serve? (same question, but asked in a different way)
4. Which one(s) is/are the most requested service/product?
5. Do you survey your clients for customer satisfaction?
6. Do you charge for your services? Are clients willing to pay?
7. From your experience, for which services/products are SMEs most likely to pay?
8. Do you have a price list? What are the payment terms?
9. Do you have a signed agreement for services/products to be performed?
10. What factors influence the prices charged?
11. (If no fees are charged) Is there an application process?

II. Resources

1. How many staff work here (total)? In each function?
2. What type of qualifications does your professional staff have?
3. What qualifications does your management have?
4. Do you offer training for your professional staff? (Not training of clients)
5. What types of resources do you use to find the information needed to deliver the service/product to your clients?

III. Competitors

1. Who are your competitors?
2. Why do clients come to you instead of your competitors?

IV. Ownership and Financing

1. When organization founded? (History/growth)
2. Is the organization registered? (Type of registration)
3. What are your funding sources? (Past, Present, Future)
4. Who makes the key decisions – the manager, the donor or other?

ANNEX 3

Individual BSP Survey

Name _____

Contact Information:

Organization (or Independent) _____

Address _____

Phone _____

Fax _____

Mobile _____

Email _____

Web _____

Industry Expertise: _____

Professional Areas of Interest:

- Consulting Practice (%*) _____
- Human Resource Management Development (%*) _____
- Business Management Development (%*) _____
- Public Sector Management Development (%*) _____
- Training Management (%*) _____
- Performance Management (%*) _____
- Organization Development
- Evaluation – Return on Investment (%*) _____
- E-Learning (%*) _____
- Training Basics (%*) _____
- Training Development (%*) _____
- Other – Please List _____

Degree of interest in working with EDEM Project:

- High Medium Low

Comments:

** Proportion (percentage) of your business*

ANNEX 4

DONOR SURVEY

Name of Donor: _____

Address: _____

Contact Person: _____

Tel/Fax: _____

Email: _____

Website: _____



1. Project
Name(s): _____

2. Locations: _____

3. Funding Source (if applicable): _____

4. Amount of Funding: _____

5. Time frame . . . Start: _____ Finish: _____

6. Target market / sector: _____

7. Type of assistance offered: _____

8. What type of assistance has the most demand: _____

9. Fee or cost-recovery: Fee _____; Cost-recovery: _____

○ Price list: Yes _____ No _____

10. Signed agreement for performing services: Yes _____ No _____

11. Application process / How to access assistance _____

12. Number of professional staff: Professional _____ Support _____
Expertise available _____

13. Working with other organizations: Yes _____ No _____
a. Alliances: _____
b. Delivery (ie NGOs, RDAs, etc): _____

14. Contact name/details (if different from above): _____

15. What other donors/organizations active in similar programs: _____

