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Albanian Competitiveness, Trends and Problems

Referring to the latest studies/reports

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Sheraton Hotel, November 26, 2008

Abundance of reports – risk of confusion

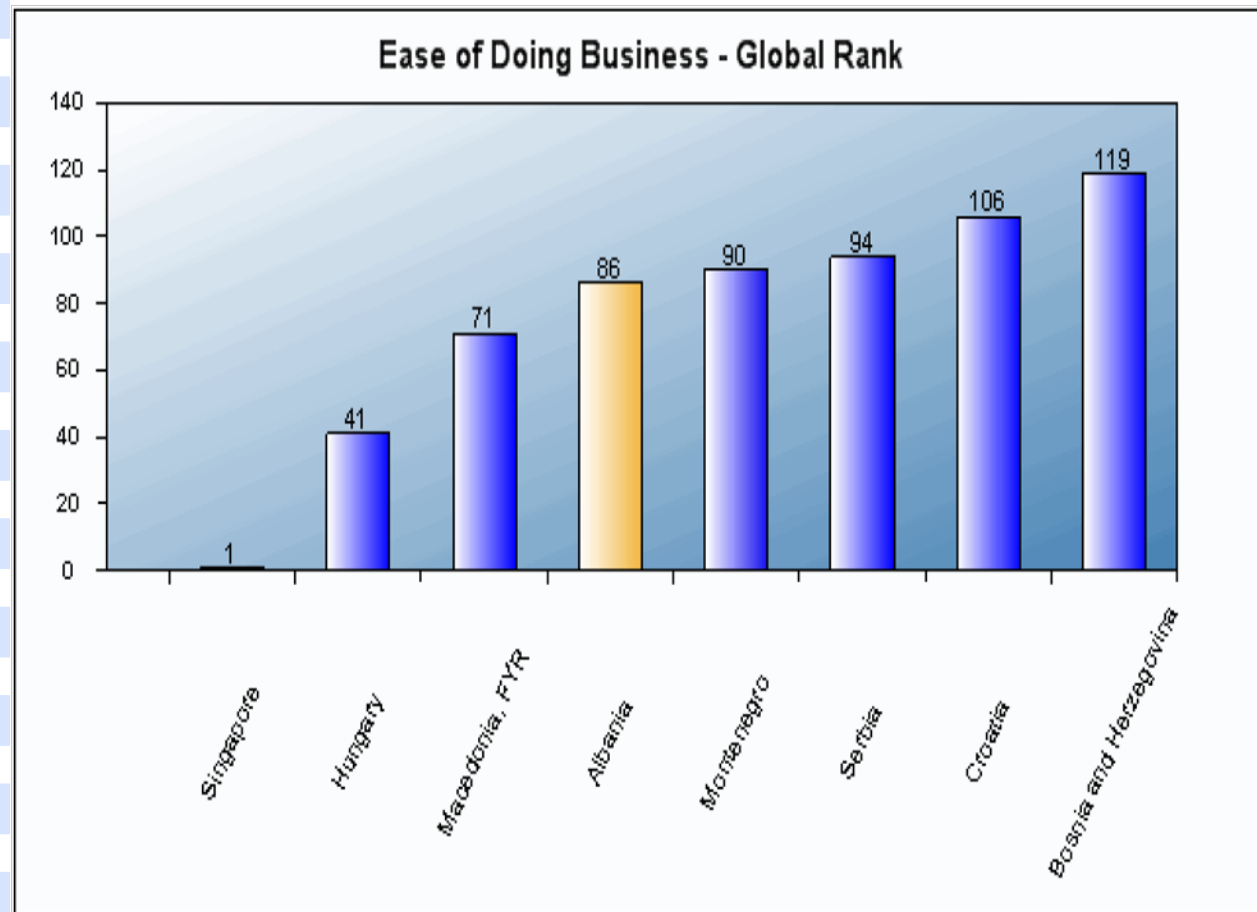
- five ways for getting realistic evaluations

1. Complementing the “nominal” ratings, with “real” evaluation of progress
2. Looking at the international rankings
3. Looking at the main sub-indicators (pillars)
4. Considering the dynamics of the indicators
5. Compared regionally

Business Climate: some indicators of success

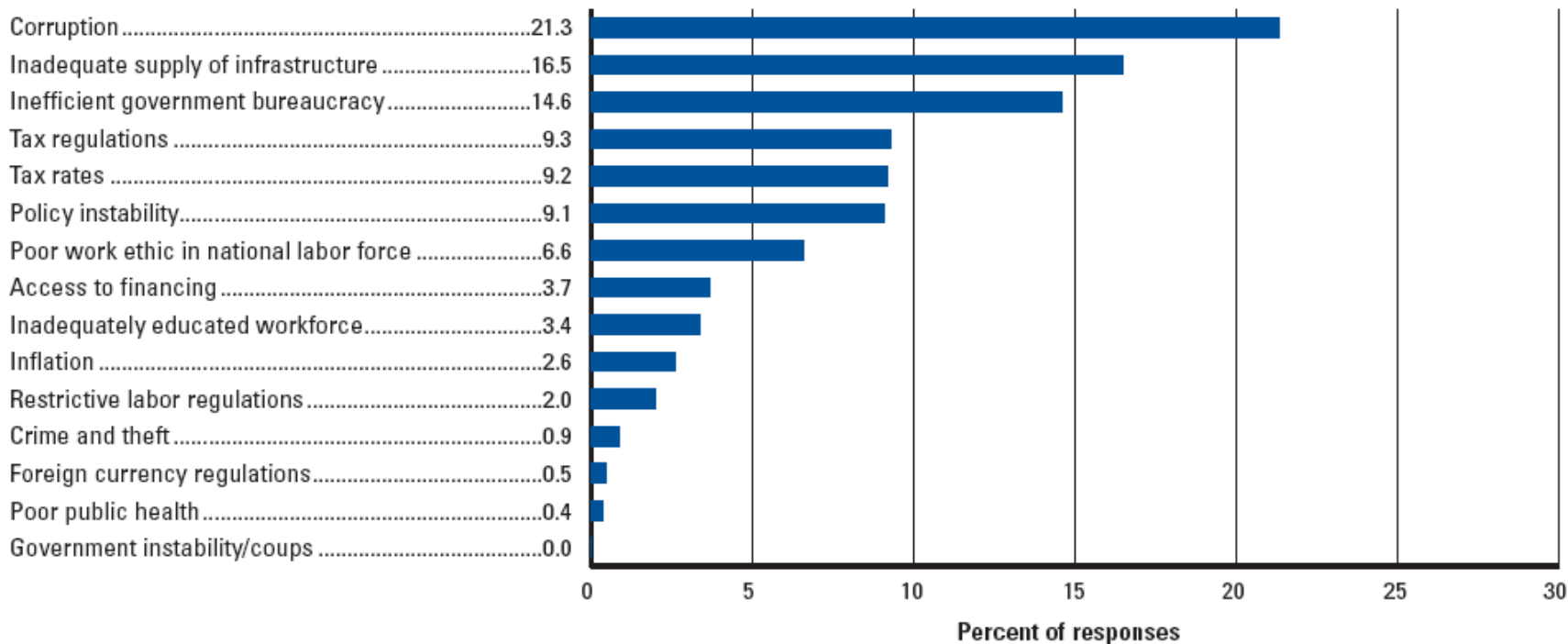
“Doing Business in 2009”, World Bank

Ease of Doing Business	86
Starting a Business	67
Dealing with Construction Pe	170
Employing Workers	108
Registering Property	62
Getting Credit	12
Protecting Investors	14
Paying Taxes	143
Trading Across Borders	77
Enforcing Contracts	89
Closing a Business	181



OK with “Doing Business”, but what when corrected with the “real life” perceptions?

The most problematic factors for doing business



Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

GCR 2008-2009: Albania's ranking

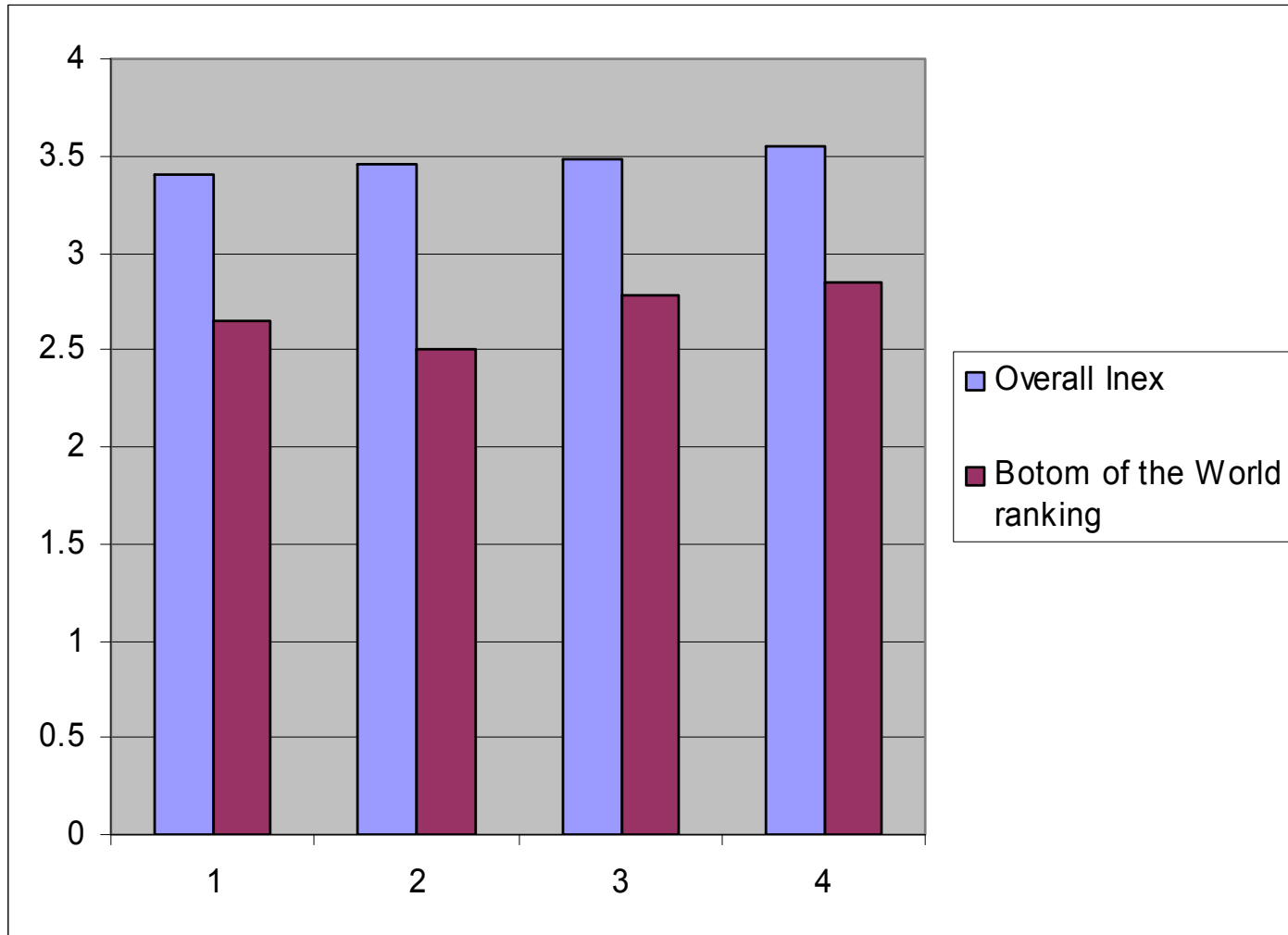
A top reformer (DB 2009) that ranks unsatisfactorily

	GCI 2008–2009		GCI 2008–2009 rank (among 2007 countries)*	GCI 2007–2008 rank
	Rank	Score		
Moldova	95	3.75	94	97
Senegal	96	3.73	95	100
Armenia	97	3.73	96	93
Dominican Republic	98	3.72	97	96
Algeria	99	3.71	98	81
Mongolia	100	3.65	99	101
Pakistan	101	3.65	100	92
Ghana	102	3.62	n/a	n/a
Suriname	103	3.58	101	113
Ecuador	104	3.58	102	103
Venezuela	105	3.56	103	98
Benin	106	3.56	104	108
Bosnia and Herzegovina	107	3.56	105	106
Albania	108	3.55	106	109
Cambodia	109	3.53	107	110
Côte d'Ivoire	110	3.51	n/a	n/a
Bangladesh	111	3.51	108	107

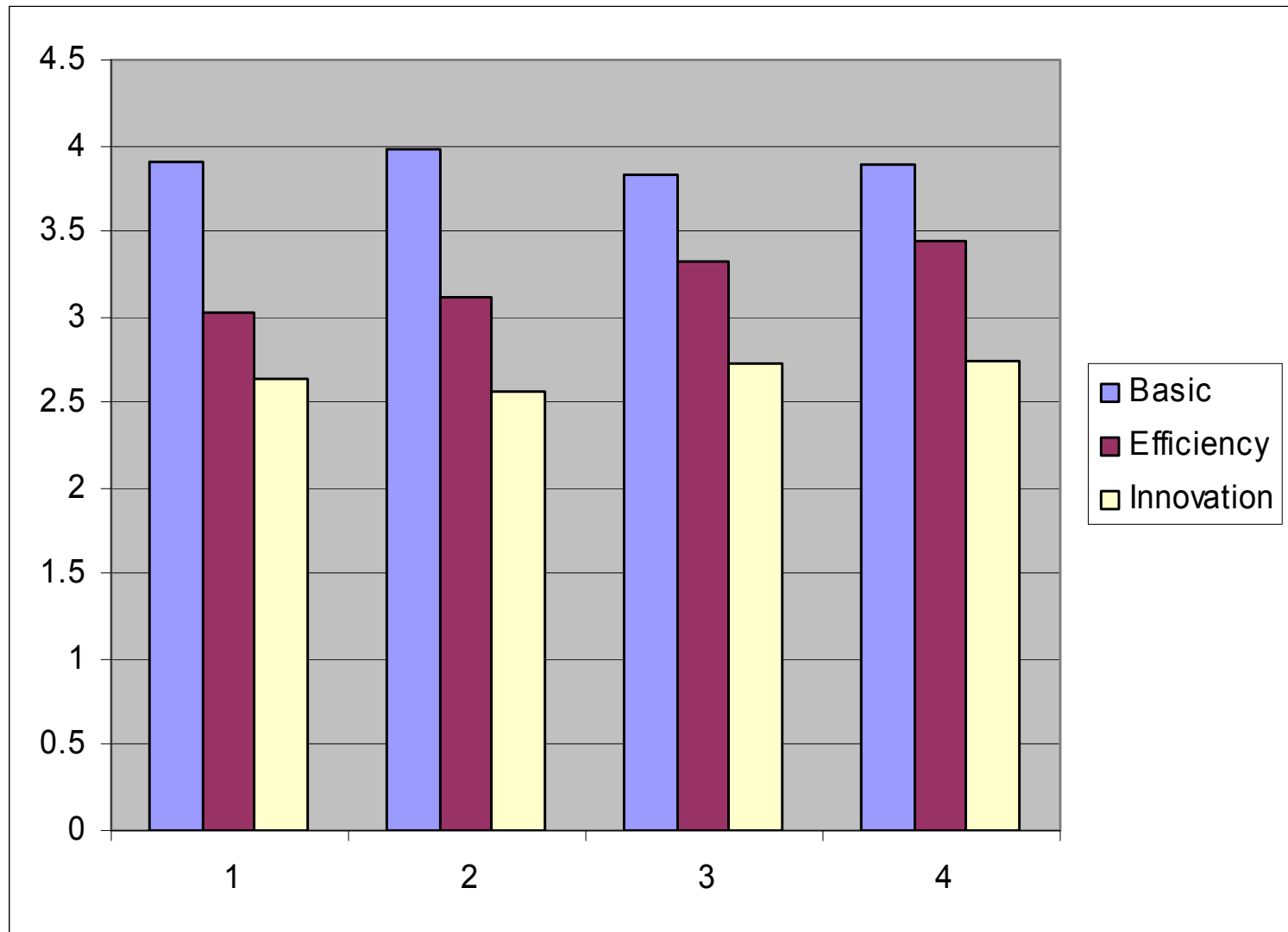
Who ranks below Albania's level?

Cambodia	109	3.53	107	110
Côte d'Ivoire	110	3.51	n/a	n/a
Bangladesh	111	3.51	108	107
Zambia	112	3.49	109	122
Tanzania	113	3.49	110	104
Cameroon	114	3.48	111	116
Guyana	115	3.47	112	126
Tajikistan	116	3.46	113	117
Mali	117	3.43	114	115
Bolivia	118	3.42	115	105
Malawi	119	3.42	n/a	n/a
Nicaragua	120	3.41	116	111
Ethiopia	121	3.41	117	123
Kyrgyz Republic	122	3.40	118	119
Lesotho	123	3.40	119	124
Paraguay	124	3.40	120	121
Madagascar	125	3.38	121	118
Nepal	126	3.37	122	114
Burkina Faso	127	3.36	123	112
Uganda	128	3.35	124	120
Timor-Leste	129	3.15	125	127
Mozambique	130	3.15	126	128
Mauritania	131	3.14	127	125
Burundi	132	2.98	128	130
Zimbabwe	133	2.88	129	129
Chad	134	2.85	130	131

Dynamics of the Overall Index, compare to the “Botom level”, 2005-08



Dynamics of each of three Subindexes, 2005-2008



Albania and the region, GCI -2008 to 2007

	Global Index	Institutions	Macro-stability	Market efficiency
Albania	108 /3.55 –109 (3.5)	109 (3.3) - 114(3.1)	96(4.6) - 79(4.7)	119(3.6) - 117(3.5)
B. & Herz.	107 /3.56 – 106	123 (3.1) – 113(3.1)	57(5.2)–90(4.6)	123(3.5) -113(3.6)
Croatia	61 /4.22 – 57	74(3.8) - 65(3.9)	61(5.1) - 73(4.8)	76(4.1) - 71(4.1)
Macedonia	89 /3.87 – 94	90 (3.6) - 102(3.3)	31(5.5)– 53(5.0)	113(3.9) - 98(3.8)
Monteneg.	65 /4.11 – 82	59 (4.1) - 78(3.7)	35(5.5) - 33(5.4)	69(4.2) - 91(3.9)
Serbia	85 /3.90 – 91	108(3.4) - 99(3.4)	86(4.7)-88(4.6)	115(3.7) - 114(3.5)
Moldova	95 /3.75 - 97	92 (3.6) - 105(3.3)	80(4.8)-92(4.6)	105(3.8) - 107(3.7)

worst

second worst

worst

second worst

More in detail: 1st pillar: Institutions

	Property Rights	Efficiency of legal framework	Public trust of politicians	Judicial Independence	Favoritism of govern. officials	Transparency of Gov's policy making	Wastefulness of gov. spending
Albania	126 -123	117 - 118	105 - 111	121 - 119	108 - 111	122 - 122	86 - 89
Bosnia & Herz	121- 120	128 - 122	125 - 120	116 - 90	124 - 113	130 - 117	123 - 124
Croatia	84 - 78	88 - 80	79 - 69	94 - 86	86 - 63	90 - 80	85 - 75
Macedonia	96 - 105	113 -111	83 - 96	113 - 110	74 - 80	79 - 85	71 - 95
Montenegro	64 - 62	68 - 83	56 - 74	85 - 96	48 - 74	59 - 98	50 - 60
Serbia	108 - 114	102 - 91	109 -100	106 - 101	109 - 104	82 - 73	87 - 71
Moldova	98 -107	108 -114	86 - 89	111 - 117	100 - 96	87 - 100	93 - 104

Worst sec/worst average pos. worst average pos. sec/worst god

More in detail: 6th pillar:

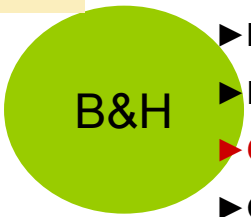
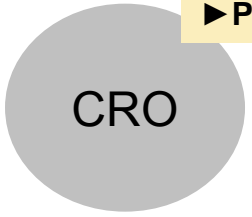
Market efficiency

	Market Effic, overall	Market Dominance	Effectiveness of Antimonopoly p.
Albania	119(3,6) – 117(3,5)	126 - 117	125 - 119
Bosnia & H	123(3,5) – 113(3,6)	106 - 80	134 - 123
Croatia	76(4,1) - 71(4,1)	90 – 77	86 - 69
Macedonia	113(3,9) - 98 (3,8)	117 – 100	107 - 105
Montenegro	69(4.2) - 91(3,9)	82 - 97	85 - 104
Serbia	115(3,7 – 114(3,9)	131 – 127	129 - 127
Moldova	105(3,8) – 107(3,7)	121 – 125	125 - 123
	<i>Parafundit</i>	<i>Fundit</i>	<i>Fundit</i>

Four most problematic factors, SEE

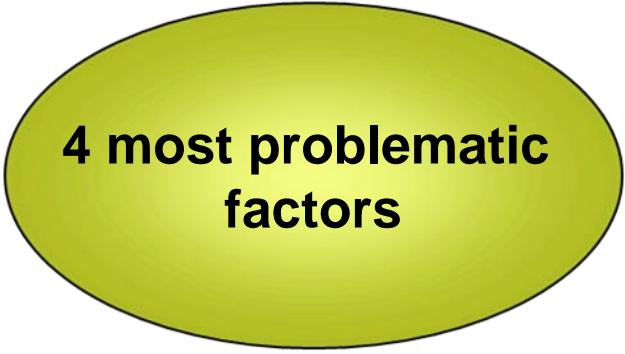
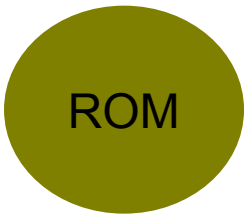
▶ Infrastructure	17.1
▶ Inefficient bureaucracy	16
▶ Corruption	15.4
▶ Policy instability	

- ▶ Inefficient bureaucracy 21.3
- ▶ **Corruption** 14.7
- ▶ Tax regulations 9.4
- ▶ Tax rates



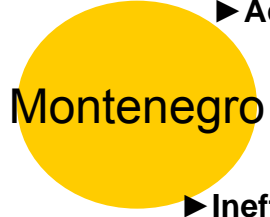
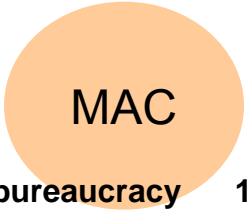
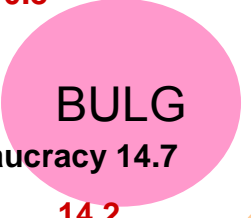
- ▶ Ineffic. Bureaucracy 18.1
- ▶ Policy instability
- ▶ **Corruption** 11.7
- ▶ Governm.instability

- ▶ Tax rates
- ▶ Tax regulation
- ▶ Ineffic. Bureaucracy 12
- ▶ **Corruption** 10.8



- ▶ Ineffic. bureaucracy 14.5
- ▶ Policy instability
- ▶ **Corruption** 11.5
- ▶ Access to financing

- ▶ Inneficient bureaucracy 14.7
- ▶ **Corruption** 14.2
- ▶ Access to financing
- ▶ Infrastructure



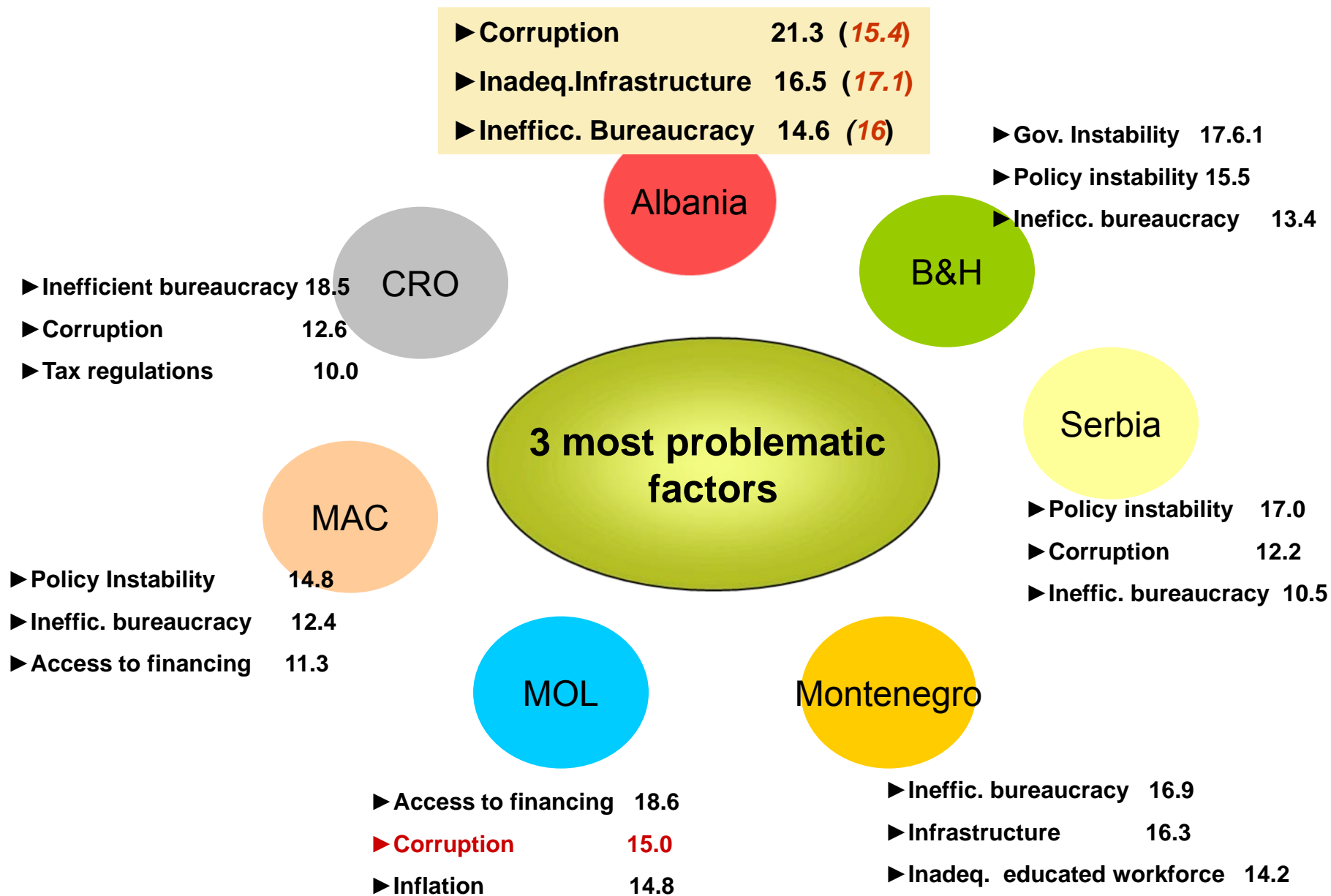
- ▶ Ineffic. bureaucracy 21.3
- ▶ Infrastructure
- ▶ Inadequately educated workforce
- ▶ **Corruption** 12.5

- ▶ Ineffic. bureaucracy 17.8
- ▶ Access to financing
- ▶ **Corruption** 13.1
- ▶ Policy instability

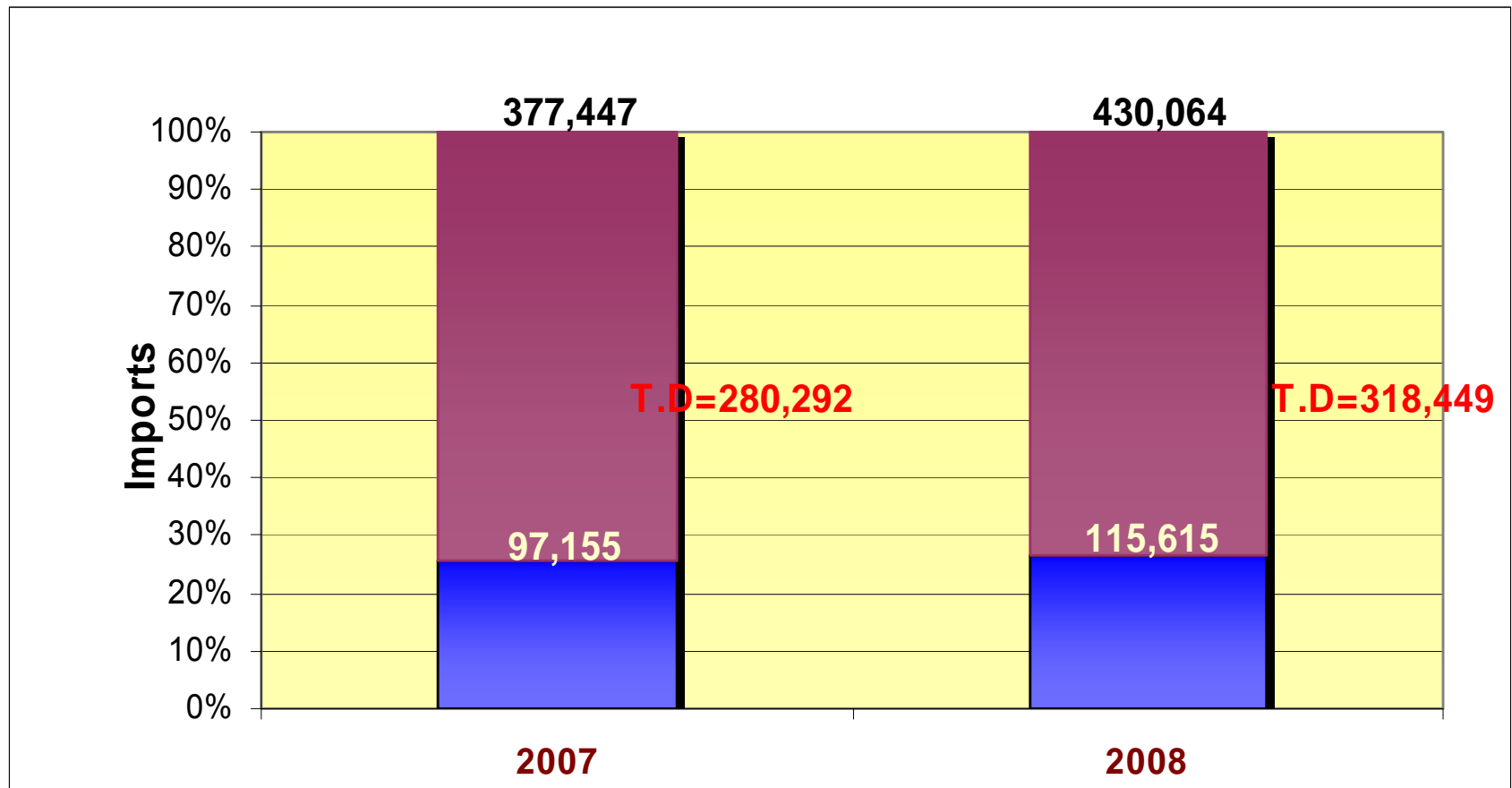


- ▶ Access to financing
- ▶ **Corruption** 14.4
- ▶ Ineffic. bureaucracy 12.8
- ▶ Tax regulation

SEE: Three most problematic factors, 2008



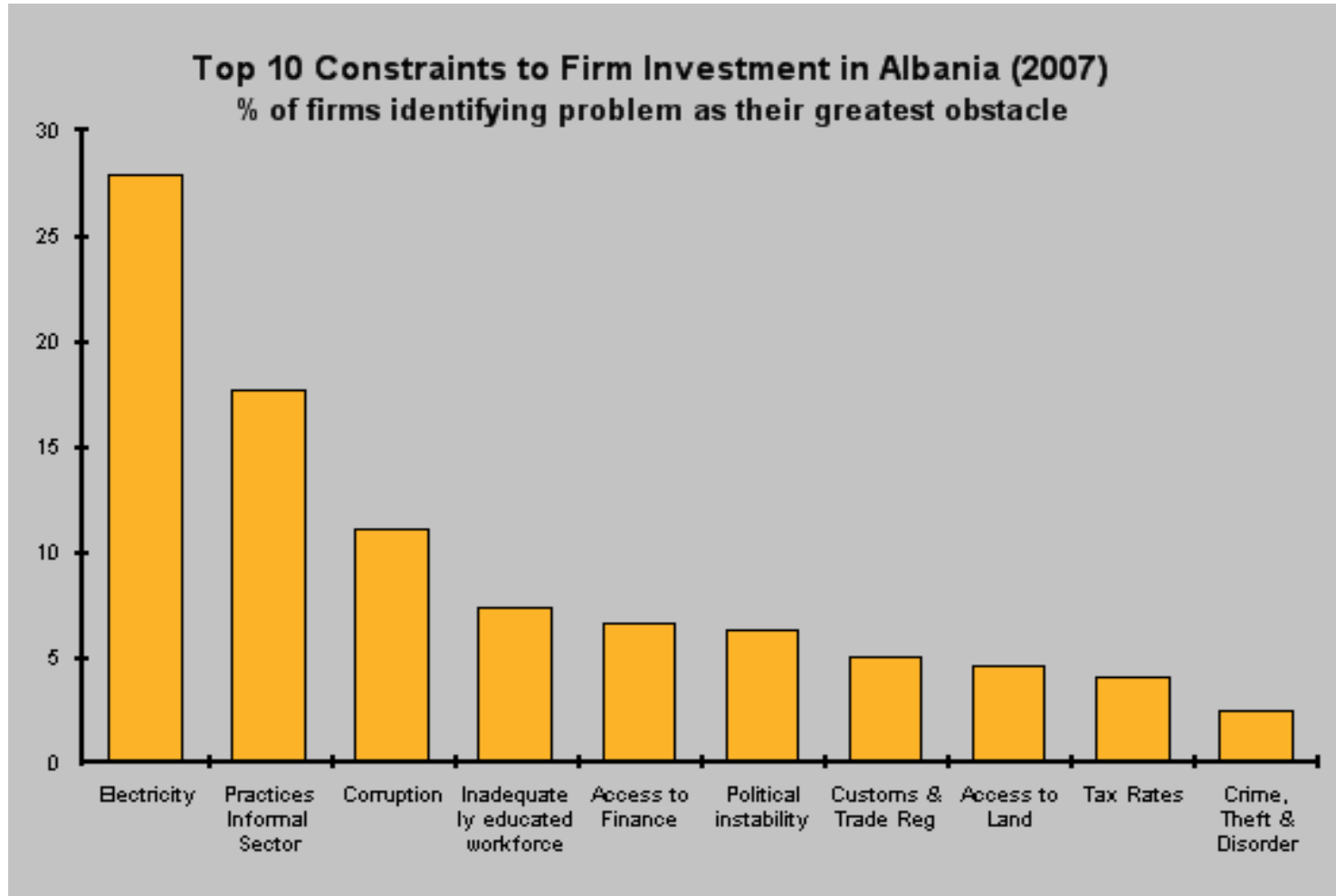
Consequence 1: a threat for the current account, and the overall economic performance



Consequence 2: Social distress and vanished motivation

- **ALBANIA:** SUPPORTIVE OF THE EU (83%), HAPPY TO LEAVE THE COUNTRY
- (1/3 of the inquired said they want to emigrate. 2/5 said they have a family member living abroad, whereas 69% state that emigrants are “big help for country’s economy”)
- **BOSNIA AND HERZEGOVINA:** FEELING DISILLUSIONED
- **CROATIA:** HAPPY WITH PERSONAL LIFE, UNHAPPY WITH THE DIRECTION OF THE COUNTRY
- **KOSOVO:** UPBEAT ABOUT LIFE AND THE EU, BUT NOT ABOUT THE ECONOMY
- **MACEDONIA:** DEJECTED ABOUT LIFE AND FEARFUL OF AN ARMED CONFLICT
- **MONTENEGRO:** AN OVERALL FEELING OF ACHIEVEMENT AND ACCEPTANCE
- **SERBIA:** DISSATISFIED ABOUT LIFE TODAY, DIVIDED ABOUT THE FUTURE

A WB evaluation of enterprise environment, at a first glance



A closer, comparative view to the indicator, tells much more.

Crime	Albania	Region	All countries
% of Firms Paying for Security	57.03	54.63	60.02
Losses Due to Theft, Robbery, Vandalism, and Arson Against the Firm (% of Sales)	3.31	1.75	2.38
Security Costs (% of Sales)	3.42	1.47	1.71
% of Firms Identifying Crime, Theft and Disorder as Major Constraints***	21.99	17.64	22.13

Firms' perception on Corruption

Corruption	Albania	Region	All countries
% of Firms Expected to Pay Informal Payment to Public Officials (to Get Things Done)	57.72	32.57	34.88
% of Firms Expected to Give Gifts to Get an Operating License	10.90	20.64	17.17
% of Firms Expected to Give Gifts In Meetings with Tax Officials	22.40	36.53	24.07
% of Firms Expected to Give Gifts to Secure a Government Contract**	44.25	23.65	29.08
% of Firms Identifying Corruption as a Major Constraint***	37.97	23.66	33.29

Some Conclusions

- An increasing number of Reports/studies contribute in the problem identification. But they should be read correctly and in harmony.
- Competitiveness – still a severe handicap and a tough challenge for Albania
- In addressing the issues priority shall be given to the “non-additional cost” measures and directions
- Highlighting the Indexes is not the end but the beginning of the work. It's not a time to celebrate. This moment shall be followed by in-depth research and decisive measures to address them.

Thank You!

Figure 6: Six levels of measurement

