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**The Republic of Albania
Ministry of Economy**



FIRST DRAFT

ANIH
'Invest Albania'
Business Plan

Advisory Report
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TABLE OF CONTENTS

1. PREFACE

2. ANIH MANDATE

3. ANIH STRUCTURE

- 3.1. External Structure
- 3.2. Internal Structure and Staffing

4. WORK PLAN, BUDGET, PLANNING AND PERFORMANCE EVALUATION

- 4.1. Work Plan and Budget
 - 4.1.1. Work Plan
 - 4.1.2. Staffing, Budget and Funding
- 4.2. Operational Support and Planning Systems
 - 4.2.1. Planning
 - 4.2.2. Investor Information
- 4.3. Performance Evaluation

5. TECHNICAL ASSISTANCE AND TRAINING

- 5.1. Technical Assistance
- 5.2. Training

ANNEX A – BACKGROUND

- A.1. Foreign Direct Investment (FDI) in Albania
- A.2. The Investment Climate

ANNEX B – ANIH BUSINESS PLAN GUIDING PRINCIPLES

- B.1. ANIH Functions
- B.2. The Sector Promotion Strategy
- B.3. Targeting Strategy for Home Countries of FDI
- B.4. Targeting Companies and Decision Makers
- B.5. The Strategy of The Promotion Function
 - B.5.1. Investor Servicing
 - B.5.2. Image-building
 - B.5.3. Investment Generation
 - B.5.4. Corporate Development Support
 - B.5.5. FDI Strategies and Policy Advocacy

ANNEX C – INVESTOR SERVICING ACTIVITIES

ANNEX D – INVESTMENT PROMOTION TRAINING

ANNEX E – 2003 ANIH ANNUAL WORK PROGRAMME

ANNEX F – 2004 ANIH ANNUAL WORK PROGRAMME

ANNEX G – 2003 ANIH FUNDING REQUIREMENT

1. PREFACE

Although the Government of Albania is aware that foreign direct investment (FDI) can contribute to its national economic growth and development objectives, the organized effort at investment promotion has to date been largely unsuccessful. In fact, since 1991, Albania had established and abolished three investment promotion agencies (IPAs), all of which have, for one or another reason failed.

The *Foreign Investment Agency*, formed in October 1991, was in charge of co-ordinating investment promotion at a national basis. The agency was placed under the Ministry of Trade and had no formal authority or power regarding either its functions or duties, or formal linkages with other ministries, which also handled promotional functions abroad. Efforts to work with other ministries resulted in conflict of mandate and the agency became ineffective and ultimately failed.

The *Albanian Center for Foreign Investment Promotion* replaced its predecessor by decree in 1993. This time the agency was placed under the Council of Ministers. Yet again, the agency was given limited resources, had no real authority and was given no formal linkages within the Government and across ministries. Relations with ministries were informal and based on personal contacts. In addition, the Agency had no supervisory body, and the Council of Ministers was not actively committed to promoting its mandate. Eventually, the Agency was replaced by a new agency.

The *Albanian Economic Development Agency* (AEDA) was created in 1998, as a public sector joint-stock company. A board of six directors was formed this time, composed of Government representatives and a member of the private sector, whose seat remained vacant throughout the Agency's life. Once again, no formal linkages across ministries were made to facilitate investment promotion. Moreover, AEDA's mandate was expanded to include numerous tasks and duties with the broad objective of promoting economic development in Albania. Most importantly, the Agency did not have sufficient funding and support needed to execute even the most basic promotional activities, let alone carry out all the tasks drawn up in its mandate. The Agency finally found itself in a situation similar to that of its predecessors – a marginalized body, lacking authority or power to execute its mandate, and was ultimately abolished in 2002.

In May 2001, UNCTAD's Advisory Services on Investment and Training (ASIT) completed an 'Investor Targeting Strategy for Albania' Advisory Report. The Report elaborated Albania's potentials as an FDI destination, and explored ways in which these could be further developed. The analysis focused on targeting market-, resource-, and export-seeking FDI, and offered concrete recommendations on effectively promoting Albania as an investment location. Among other things, the Report contained specific policy recommendations on establishing a new Albanian IPA based on international best practices.

On 4 April 2002, the Government of Albania established the *Albanian Investment Promotion Agency – ANIH* by a Council of Ministers decision. Subsequently, the Government requested UNCTAD and UNDP-Albania to assist the new Agency with various advisory and capacity-building activities, including the preparation of a Business Plan – which resulted in the preparation of this report.

Mr. Refael Benvenisti prepared this Report, and Mr. Marko Stanović managed the technical assistance programme under which the Report was produced. The views in this Report are those of the authors and do not necessarily reflect the views of the United Nations Secretariat.

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2. ANIH MANDATE

ANIH will be charged with promotion foreign direct investment (FDI) in Albania so that national economic development objectives can more readily be achieved. More specifically, ANIH will promote FDI in greenfield, privatization-related and infrastructure projects, with varying degrees of emphasis, and using a variety of promotional tools, such as Investor Servicing, Image-building, Investment Generation and Corporate Development Support. ANIH will also be involved in investment policy advocacy and will be an interface between foreign investors in Albania and the Government.

In discharging its duties, ANIH will establish close working relationship with various economic actors in Albania including trade promotion agencies. With regard to domestic investment, ANIH will encourage links between foreign investors and domestic SMEs by facilitating identification of joint-venture partners and facilitating foreign enterprises in Albania with establishing supply linkages with domestic enterprises. Furthermore, ANIH will support and encourage the creation of an environment conducive for both domestic and foreign investors and play a supportive role in the policy environment for domestic investment.

ANIH will also have a supporting but visible role in specific image- building activities related to investment promotion. It will do so by preparing materials on the general investment climate in Albania, participating in briefings and promotional events, and providing inputs in the preparation of promotional materials by the Ministry of Economy. Also, ANIH will inform potential investors of the opportunities available under Albania's current privatization programme, and will introduce interested investors to appropriate officials in the Ministry of Economy.

Similarly, in the case of infrastructure investments, ANIH will play a supportive and facilitating role. ANIH will collaborate with relevant Government agencies by participating in related image-building activities, arranging contacts between interested investors and appropriate Government officials for further follow up and direct business contact, and contributing to discussions on the appropriate policies and conditions for foreign investment in infrastructure.

The provision of consultancy services will not be undertaken by ANIH. If ANIH attempts to provide consulting services to foreign investors, it will face conflict as it competes with private sector consulting companies. It will also face conflicts in its dealings with investors. Over time, these conflicts are likely to become so strong so as to make its role as a promotional body untenable.

3. ANIH STRUCTURE

3.1. Internal Structure and Staffing

The internal structure, staffing, and operating management procedures of investment promotion agencies are important in determining the efficiency with which they operate. In order to be effective, internal structures should define the specific responsibilities of individual units or sections, and these responsibilities should be assigned in a manner that avoids confusion, duplication and/or lack of adequate coverage. The Agency internal structure will probably change over time, and it is desirable that managers in ANIH have the power and flexibility to make these changes as and when they are required.

ANIH 'Brand name': It is common for investment promotion agencies worldwide to adopt brand names by which they will be readily recognized by investors abroad. Since ANIH is an acronym of an Albanian name, ANIH may want to adopt a 'trade' name that facilitates quick recognition by foreign language speakers and can be easily remembered, such as *Invest Albania*, or similar.

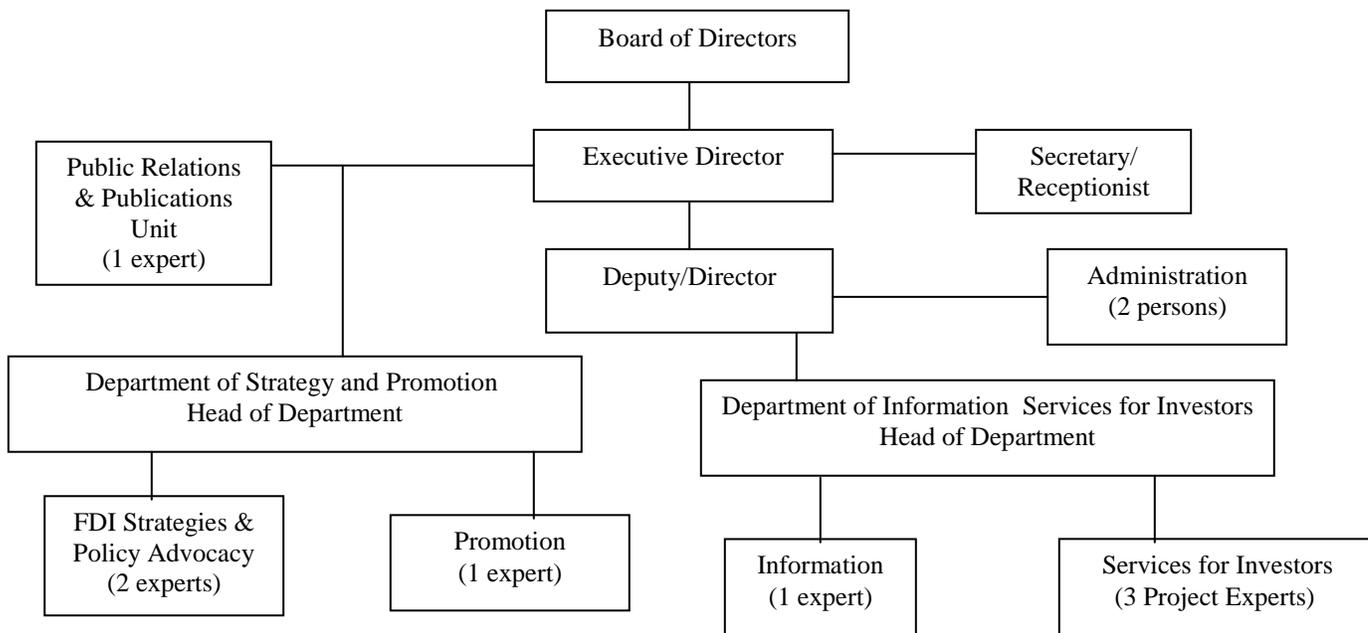
Staff profile: ANIH should emphasize hiring staff with private sector experience to ensure that unique requirements of the private sector investors are fully understood and adequately serviced.

Staff compensation: ANIH staff should be compensated based on a private sector salary scale and their performance should be rewarded by cash bonuses commensurate with merit. In order to attract capable staff with private sector professional experience, the Agency will have to provide compensation package comparable to that offered by the private sector, especially foreign companies operating in Albania. The staff should also be given appropriate performance targets and cash incentives as reward when these targets are met. The compensation package (base salary + performance bonus + medical insurance + pension benefits), should ensure that the Agency staff are motivated and stay committed to achieving tangible results.

ANIH already employs a staff of four persons. During the first year of operations, the staff of the organization will not be no more than fourteen persons allocated on the basis shown in below organigram.

Under this structure, the **Executive Director** is responsible to the Board for developing and implementing ANIH's strategy and work program, together with its budgetary, personnel, and administrative programmes. The Director is also responsible for measuring ANIH's performance and for reporting to the Board. In addition, the Director will be responsible for liaising with the Board and serving as secretary to the Board, as necessary. The Director will be supported by the administration who will carry out agency operating functions and provide administrative support for the Board and the Director. A trilingual (Albanian/English/Italian) Secretary/receptionist may be part of the Office of the Director. The Department Director of Strategy and Promotion and the Public Relations and Publication Unit will report directly to the Director.

Organigram of the Foreign Investment Promotion Agency of Albania (ANIH)



The **Public Relations and Publications Unit** will execute international and local public relations programmes targeted at international and local press, academia, business groups, etc.; and will in general, orchestrate interaction with the general public in Albania in terms of defining the "image" of ANIH. It will also co-ordinate relationships with the print and electronic media in the form of press releases, contacts with local and foreign press, identification and communication with trade fora and journals; Promote ANIH's image through advertisement and other publicity programmes aimed at both general and selected audiences, in accordance with strategic planning efforts and in line with budgetary allocations; Prepare promotional and investor information materials for dissemination, including brochures, investors manuals and guides and other informational documents summarizing the economic and policy factors of interest to investors; and Conduct opinion research and advise the management on the implications of the findings of polling, surveys, and other sampling techniques, on strategic planning efforts of ANIH and its allocation of time and budget.

The **Head of the Strategy and Promotion Department** will report to the ANIH Director and manage the following units:

The FDI Strategies and Policy Advocacy Unit will be engaged in all aspects of the business environment facing investors including its legal and regulatory frameworks for both foreign and domestic investment. In addition, this unit's work programme will include active participation in the Government of Albania work on removing the administrative barriers to investment mentioned above.

The Promotion Unit will conduct general and industry- or sector-specific investment *missions*, working with local business associations and trade groups in identifying target audiences, as well as a competitive position and optimal approach. Organize general and industry - or sector-specific investment promotion *seminars, conferences and workshops* (both local and overseas), including contacting speakers, making logistical arrangements, and organizing publicity, event coordination, and follow-up actions for such events. It will also organize and coordinate Albania's participation in investment promotion exhibitions,

conferences, seminars, and workshops, identifying optimal events for local participation, providing assistance to attendees in the preparation of booths, oral and printed presentations, travel arrangements, and coordinating on-site visits at the events.

The **Deputy Director** will report to ANIH Director and be responsible for the Department of Information Services for Investors, and ANIH Administration.

The **Head of the Information Services for Investors Department** will be responsible for supervising the provision of information to investors (both current and incoming), handling of investment projects, and other investor servicing functions of ANIH. Initially this function could instead be performed by the Deputy Director of the Agency.

The Services for Investors Unit, will have three **project experts** in 2003 that will function as "desk project officers". The proposal that staff involved in handling investment projects operate as desk project officers, is intended to ensure that ANIH has a method for allocating responsibility for individual investments to nominated staff, while at the same time providing the investors with an assigned contact within ANIH. Each desk project officer will be allocated a portfolio of potential investments, and will be responsible for providing all facilitation services to that portfolio, up and until the projects are in operation. Additions or deletions will be made to the desk project experts' portfolios depending on the progress achieved on individual projects, but at no time will the portfolio change without the express clearance of the Deputy Director. This stipulation is proposed so as to avoid any confusion of responsibilities, or any break down in the follow-up on individual projects.

It is proposed that a special Information Unit be established in the Department. This unit will be staffed with one computer and information technology officer and will be responsible for organizing, developing and communicating ANIH's information base (including maintaining the Agency Internet website) as well as maintaining and supporting ANIH's information technology systems and equipment. In particular, ANIH will collect and compile the information that is necessary to respond to investors' queries. The investor information function must be developed to provide high quality information on a wide range of subjects of relevance to investors. The subjects may include: investment laws and regulations, costs of production inputs, economic and sectoral information, and information related to infrastructure availability and access. In order to provide this type of information quickly and efficiently, ANIH will have to develop and systematically maintain collections of relevant materials in electronic and paper media formats.

The **Administration Manager** will be responsible for the administrative, financial and accounting, planning and evaluation, and the personnel functions of the organization.

As the work load of ANIH increases, for example, with the amplification of investment generation activities, or as the balance of its strategy changes, it will be necessary to change the allocation of staff to the different units. Equally, if the work load increases it will be necessary to separate out some of the functions now combined with others, and assign responsibility for that function to additional staff members. These changes might have to be made in the medium to longer term as justified by the volume of business and performance of ANIH.

3.2. ANIH External Structure

Supervisory Board: Governments need a mechanism for providing inputs into the strategy of an investment promotion agency (IPA) while at the same time giving it freedom and flexibility in its day-to-

day promotional activities. A mechanism which has worked well in many countries is the establishment of an IPA Supervisory Board which supervises the IPA day-to-day activities and insulates these operations from undue government interference. At the same time, the Board ensures that the agency works in accordance with investment policy guidelines set down by the government, and reports to the government on the IPA overall performance, and on critical budgetary and personnel matters impacting the agency. The role of the Supervisory Board of ANIH should be to (1) approve and oversee the implementation of a national investment promotion strategy, (2) secure funding for ANIH, and (3) provide approval and oversight for the Agency's annual work programme and its budgetary and personnel policies. It is the responsibility of the Director to ensure that ANIH implements these policies and guidelines. The Director will be required to report regularly on ANIH's performance to the Board, and to the Government through the Board. However, Board members will not be directly involved in the actual day-to-day operations of ANIH. The Board will also review recommendations for improving the investment climate in Albania and collaborate with appropriate Government agencies to effect recommended changes.

Supervisory Board private sector membership: Since additional investment, domestic and foreign, promotes economic growth and generates benefits for the private sector, it is expected that the private sector will play a role in developing strategies for attracting higher levels of investment. The participation of the private sector on the Board would contribute to a better understanding of business issues relevant to investors, lend credibility to the Government's efforts to increase investment levels, and provide access to the resources and expertise of the private sector in formulating the Government investment policy. Care will be exercised to avoid conflict of interest between the private and public sector participation in the Board.

Benefits of public/private sector Board membership: The active participation of key Ministries and the private sector on the Supervisory Board permits both groups to provide inputs into the development and implementation of the strategy of ANIH. Joint public and private sector participation would offer the advantage of combining the Government's role in addressing issues related to the national interest with the dynamism and particular perspectives of the private sector. These groups correctly have an interest in the pace and direction of investment promotion and should have a say on these matters. At the same time, this structure helps to guarantee the autonomy of ANIH itself and prevents it from coming under the control or direction of a single ministry or institution.

ANIH relationship with Government Ministries: It is very important that ANIH Director has regular and simple access to representatives from various Government ministries that comprise the Agency's Board. The need to consult representatives of various ministries will arise when complex investment projects need to be approved, or unusual investment situations arise which need problem-solving that spans more than one Government ministry. The representatives of various ministries comprising the Board should be senior enough so that important decisions belonging to individual ministries' jurisdictions can be quickly and authoritatively resolved.

ANIH relationship with the civil society: A final important element of the external structure of ANIH, is the need for the Agency to develop and maintain close working relations with a number of institutions in the public and private sector, such as the Statistical Office, the University, NGOs, Business and trade associations, etc.. This networking and collaboration is needed if ANIH is to effectively service and facilitate investors. Priority should be given to establishing and nurturing suitable networking and cooperation arrangements so as to provide effective investor servicing. For example, more formal links could be established with the University of Tirana business or economics department by way of a student internship programme, or sponsorship of a professorship in the area of FDI and investment promotion.

4. WORK PLAN, BUDGET, PLANNING AND PERFORMANCE EVALUATION

4.1. Work Plan and Budget

The proposed work plan and budget for ANIH is based on the role and functions of ANIH in carrying out its mandate to promote foreign investment in Albania. The priorities discussed in the previous chapter, focus on the provision of services to existing and new foreign investors, targeted image-building, and policy assessment and feedback activities. The indicative budget has been developed to estimate the financial resources required to carry out the basic program of investment promotion activities over the first two years of operations, in the light of constrained resources from donors and the Government.

4.1.1. Work Plan:

The sequence and pace of activities in the work programme are designed to match ANIH's ability to undertake a range of responsibilities and to carry them out efficiently. In order to be effective in fulfilling its mandate, it will be necessary for ANIH to focus on its priorities and core business and to resist attempts to increase the range of its activities since this will overload ANIH and diminish its effectiveness.

A detailed work plan is provided in Annexes E and F of this Business Plan, for the period April, 2003 through December, 2004. The objective of this work plan is to provide guidelines on the specific activities that must be undertaken, while allowing for flexibility and adaptation of the work plan as the needs of the organization change. Consistent with the mandate and priorities of ANIH, the primary focus of the activities during the first two years, will be the development of ANIH's capacity to provide effective investor servicing, limited image-building activities, and policy feedback. The activities have been classified on the basis of the major investment promotion activities and organizational or administrative activities as follows:

- Organizational activities
- Investor servicing activities
- Image-building
- Corporate development support
- FDI strategies and policy advocacy

The work plan has been developed to reflect two phases of activities: Phase I takes place from April, 2003 to December, 2003; and Phase II, from January, 2004 to December, 2004. The first phase covers basic start-up operations (some activities were already initiated in the beginning of 2003), such as the development of ANIH basic operating and administrative procedures and processes, the implementation of certain basic investment servicing activities, staff training, mobilization of international technical assistance, the development of collaborative linkages with various Government agencies, and basic image building activities. The second phase will cover the expansion of the investor servicing and image-building functions, and the development and gradual acceptance of a national investment promotion strategy for Albania – with accompanying consensus-building in the Government and civil society.

Some of the start-up activities have already been completed. For example, ANIH has already recruited the core staff necessary to carry out some basic activities. The next steps will require the development of the supporting operational processes and staff skills capacity-building to carry out its operational programs. The progress of ANIH will be evaluated at the end of the first six months of operations and necessary adjustments will be made in the work plan and budget.

The **first quarter** of phase I (April, 2003 - June, 2003) takes into consideration the fact that ANIH was effectively established in the beginning of 2003 and, as a result, already began to implement some of the preliminary work plan. During this phase, the organizational activities will be focused on a number of items including the initiation of discussions with the sponsoring Ministry and other relevant parts of the Government with the goal of strengthening the mandate of ANIH. The specific objectives of these discussions will include the clarification of ANIH's mandate and functions, and the formalization of its internal and external structures. In addition, ANIH will seek to establish the investor servicing function and to initiate its publications and image-building activities. ANIH will take the necessary steps to be organized and equipped so as to be able to receive investors and conduct professional briefings for existing and potential investors as soon as possible. From the image-building perspective, several practical measures will be introduced as a means of attracting the attention of existing and potential investors.

During the **second quarter**, the activities initiated in the first quarter will be continued and augmented. For example, in the area of image-building, an Investor's Guide will be designed and printed to supplement the activities undertaken in the previous quarter so as to attract a wider range of prospective investors and heighten the general awareness about the existence and purpose of ANIH and investment opportunities in Albania. The inputs of an investment promotion expert through UNCTAD/UNDP Albania programme of technical assistance to ANIH, will be obtained in order to evaluate the progress of ANIH and to make necessary adjustments in its work programme and resource allocation for the remainder of the year.

During the **third and fourth quarters**, in addition to responding to requests and queries from incoming investors, ANIH will lay the foundation for its pro-active promotion activities by organizing an investment seminar, and seeking to establish closer contact with existing investors through third parties networking activities, such as with chambers of commerce, banks and embassies. The investment seminar will be organized in collaboration with the Government agencies responsible for the Privatisation, or infrastructure investments, and a major international bank or other relevant institutions. It should be attended by key Government officials. This seminar will be held in Tirana or in Western Europe/U.S.A.. Technical assistance and training from UNCTAD and UNDP-Albania will also provide direction and support to the Agency investor servicing and image-building activities. During this phase, ANIH will launch in earnest its Corporate Development Support activities, as well as develop the Agency Internet website. The website should be professionally designed according to international best practices and provide basic and up-to-date information on Albania's investment laws and available investment projects in priority sectors.

At the conclusion of the first year of operations, another evaluation will be conducted in order to provide inputs for the development of a detailed work plan for the next year (2004). The internal organization will also be reviewed in order to determine whether any structural or organizational changes are required.

The activities during the second year will be focused, among other things, on the refinement of the investment promotion skills of the staff, implementation of a computerized investor tracking system and development and implementation of a national investment promotion strategy. Image-building activities will include the organization of a major investment seminar or conference, and the updating of the

Investor’s Guide. The Internet website should be continuously updated to ensure information is correct and relevant. One ANIH staff member should be assigned the responsibility of managing the website.

4.1.2. Staffing, Budget and Funding:

The staffing of ANIH was developed in relation to the Agency structure and functions already discussed above. Further, given ANIH's internal structure, resource limitations and the importance of developing a ‘tight and lean’ but responsive institution, the staffing will reflect the core requirements of the organization during its first year of operations. At the conclusion of the first year, the staffing may be reviewed and decisions made on the need to reallocate or to augment the staffing.

Table 1 provides estimates of ANIH staffing needs required to carry out its work programme in 2003 and 2004, taking into account a small staff increase in the second year of operations to accommodate a projected increase in the volume of business. Table 2 provides an indicative budget of fixed and recurrent expenditures for 2003 and 2004.

Table 1. Projected Staffing Levels 2003-2004

	Number of Staff on Board	
	2003	2004
Director	1	1
Deputy Director	1	1
Director Department Heads	2	2
Project Experts	3	5
Information Experts	1	2
Promotion Experts	1	2
Public Relations & Publications Expert	1	1
Strategy & Policy Experts	2	2
Receptionist/Secretary	1	1
Administration	2	2
Total	<u>15</u>	<u>19</u>

The budget for the first two quarters of Year 1 is based on estimated expenses. The indicative budget provided in Table 2, represents an estimate of the financial resources required to support the basic ANIH programme of investment promotion for the first two years of operation. The work programme and budget will be reviewed and adjusted as necessary, at least one a year. Annex G provides a breakdown of the funding currently available to the Agency from the regular Government budget and identifies the remaining shortfall. It is essential that this projected shortfall be provided for from international donor funding and/or from multilateral or international assistance. In this connection, there should be a resources mobilization event organized in Tirana in the summer of 2003, where international donors as well as representatives of multilateral and international organizations will be invited and introduced to the

Agency staff and its work programme. The funds obtained from this events should be placed in a UNPD-Albania managed trustfund, from where they will be disbursed to the Agency on a regular, multi-year basis.

Experience has demonstrated that since investment promotion agencies act in the public interest, self-sustainability is not an attainable objective for such an agency. The lack of government commitment to the promotion of FDI in Albania in the past was reflected in the weak institutional support for investment promotion. All three previous investment promotion agencies established since 1991 have failed. The Foreign Investment Agency, formed in 1991, the Albanian Center for Foreign Investment Promotion in 1993, and the Albania Economic Development Agency, AEDA in 1998, have all failed because of misguided mandate (confusing and conflicting objectives, lack of purpose and focus) and lack of dependable and sufficient funding,

Table 2. Projected Budget 2003-2004
(US\$)

	2003	2004
A. Operating Costs		
1. Salaries & Bonuses	50,000	60,000
2. Other Operating Costs	115,900	87,900
Communications		
(Telephones, fax, internet)	14,400	14,400
Travel (in-country)	6,000	8,000
Office Maintenance	8,500	8,500
Utilities	10,000	10,000
Office Supplies	6,000	6,000
Office Equipment and Maintenance*	60,000	30,000
Car and Driver	4,000	4,000
Representation	2,000	2,000
Miscellaneous	5,000	5,000
Total Operating Costs	<u>165,900</u>	<u>147,900</u>
B. Programme Costs		
1. Consultants	<u>45,000</u>	<u>45,000</u>
2. Image-building	<u>50,000</u>	<u>105,000</u>
Promotional Materials	15,000	20,000
Public Relations Events	20,000	45,000
Missions and Seminars	15,000	40,000
Total Programme Costs	<u>95,000</u>	<u>150,000</u>
C. Other Costs		
1. Office Upgrade & Repairs	6,000	0
2. Staff Training incl. study tours	25,000	25,000
Total Other Costs	<u>31,000</u>	<u>25,000</u>
TOTAL	<u>291,900</u>	<u>322,900</u>

* includes estimated cost of computers, network hardware and software, wiring, and overhead projector.

Therefore, ANIH will require a firm and long-term budgetary considerations to support its activities based on a strong long-term financial commitment from the Government of Albania and international donors. To guarantee the long-term support for ANIH, the donors and the Government will create a trust fund managed by UNDP-Albania, through which their long term commitment will be channeled. The mode and operation of the trust fund will be negotiated between the Government and the donors.

4.2. Operational Support and Planning Systems

The development and implementation of planning and management systems is necessary to support the operation of an investment promotion agency. These systems will be used to facilitate:

- The translation of the mission and objectives of ANIH into clearly defined targets and activities which will be assigned to various functional units;
- The communication of targets and objectives within the organization;
- Performance monitoring and evaluation; and
- Reporting to the Supervisory Board.

ANIH will seek to develop or acquire, over the long-term, an integrated management reporting system that would include components for financial reporting, investor tracking, and performance monitoring. In the short-to-medium term, however, a simplified investor tracking system will be developed to support standardized procedures for providing investor services. In addition, ANIH's financial and accounting system will be set up to support reporting on costs of operational activities, as well as reporting on the use of funds from various sources.

A computerized information processing system comprising of a network, workstations and appropriate, customizable application software will be designed to support basic operational and administrative functions and management reporting. The components of the system will include:

- Office automation - word processing, desktop publishing, and quantitative analysis,
- Investor tracking - contacting, following up, and providing services to prospective investors;
- Management reporting - preparation and analysis of reports on operations and performance;
- Accounting and financial management; and
- Database management - developing databases with specialized information to support an investor information service and the preparation of promotional material.

4.2.1. Planning:

ANIH will prepare an annual business plan for approval by the Supervisory Board. Further, ANIH will develop a rolling medium-term strategic plan covering three-year periods. These business plans will include:

- An evaluation of the business environment and the challenges and opportunities facing ANIH;
- Specific objectives and performance targets;
- Investment promotion activities to be undertaken, including changes and refinements based on the evaluation of previous experience and performance; and

- Budget, staffing, and long-term funding requirements.

4.2.2. Investor Information:

An investor information function must be developed to provide high quality information on a wide range of subjects of relevance to investors. This range of subjects may include: investment laws and regulations, cost of production inputs, economic and sectoral information, and information related to infrastructure availability and access. In order to provide this type of information quickly and efficiently, ANIH will have to develop and systematically maintain collections of relevant materials in electronic and paper format databases.

It is in ANIH's long-term interest to encourage and support a national initiative to collect comprehensive data on FDI, particularly since such data are not readily available at the present time. Therefore, steps will be taken to develop a systematic and reliable method of measuring FDI and its impact on the economy by the various authorities in Albania, including the Central Bank, the Central Statistical Office, relevant Ministries, and ANIH.

4.3. Performance Evaluation

The Government and the donors funding ANIH will need a **basis for assessing** the impact of ANIH and its contribution to national economic policy objectives, as well as assessing its operational effectiveness. Therefore, the selection of appropriate indicators of performance is an important issue.

The selection of indicators of performance will be based on:

- The policy implications of the measures selected;
- The choice between input and outcome measures;
- Short-term indicative measures versus longer-term permanent ones;
- Indicators of interest for internal management versus those of interest to the Supervisory Board and other external parties; and
- The assignment of responsibilities for the collection of the required information and reporting on the selected measures.

ANIH will establish procedures to measure, evaluate and report regularly on a range of input and output measures. Many of these are only of internal interest and are required for ongoing management decisions. But some, such as the potential pipeline investments, and the levels of new registrations recorded are also of interest to a wider audience. Data for all these measures will be available mostly within ANIH itself, and the Agency will arrange to collect, evaluate, and report on these data regularly.

ANIH will also need information on the actual outcome of its activities on a regular and up-to-date basis. Priority will be given to assuring that the information is up-to-date, even if it is only estimated. ANIH will take steps to measure the actual outcomes on a regular or periodic basis, or it will commission an independent body to do this work. Data for these measures usually need to be collected externally using survey or census gathering approaches. These performance measures will be evaluated and reported to the Supervisory Board and the Government at least annually. For example, these measures can include:

- Information on the pipeline of potential projects and investors,
- The number of new projects in implementation stage.

In addition to above measures, periodic evaluations of performance under a wide range of headings will be carried out and reported on publicly every 5-10 years. Also, special evaluations not just of past performance but also of the suitability and future direction of promotion strategies will be conducted from time to time.

Table 3. **Summary of Evaluation Measures**

Function	Measure Type	Examples of Individual Measures	Frequency
Image Building	Activity	Briefings for foreign media Coverage in domestic print/TV/radio Publications printed and distribution	Monthly Quarterly Quarterly
	Outcome	Independent assessments of the Image of Albania Results of survey on usefulness of publications	6-12 months Annual
FDI Strategies & Policy Advocacy	Activity	Policy & regulatory change proposals Target sector strategies approved	Quarterly 6 months
	Outcome	Policy/regulatory changes implemented	6 months
Promotion	Activity	Investment seminars organized abroad Missions received in Agency Outward missions organized by Agency Foreign missions contacted for target sectors	Quarterly Quarterly Quarterly Quarterly
	Outcome	Site visits Serious inquiries resulting from missions Investment start-ups	Quarterly 6 months Quarterly
Investor Servicing	Activity	Investor/Project pipeline Briefing/assistance meetings with new incoming investors Review meetings with existing investors	Monthly Monthly Monthly
	Outcome	Decisions by existing investors to expand Positive decisions by new investors	Monthly Monthly
Project Implementation	Outcome	Details of start-ups: investment, jobs exports, local sourcing	Annual

5. TECHNICAL ASSISTANCE AND TRAINING

The objective of this section is to propose a programme of technical assistance and training for ANIH and its staff, which will enable the Agency to develop its capacity for investment promotion. Since this is a recently established Agency it is necessary to provide institutional support and capacity-building through a structured programme of technical assistance and staff training.

5.1. Technical Assistance

Given the limited resources available to ANIH, including the management team's limited experience with international best practices investment promotion and investor targeting, it is suggested that an international investment promotion expert be engaged to provide sustained assistance and guidance to ANIH, by way of periodic visits to the country. This assistance could involve monthly visits lasting 10-14 days for a limited period of time, for example 6 to 12 months. Alternatively, the visits could be done every two months. In this way, the international expert would provide sustained capacity-building to ANIH staff, help them establish best practice daily management routines, initiate and provide assistance with investment generation and image-building activities, and ensure that the transfer of knowledge and know-how takes place. This depth of capacity-building necessary for the Agency staff to succeed in their mission would be difficult to achieve with training workshops and advisory studies alone.

5.2. Training

The development of ANIH's human resources will be a key requirement for success of the Agency's investment promotion and investor targeting programmes. Training by experts and practitioners in investment promotion, particularly in investor servicing and investor targeting, will be an important input. This training will be delivered by UNCTAD through 3-5 day workshops, including presentations, exercises and role-playing. Study tours and internships may also be organized (for example in cooperation with the *World Association of Investment Promotion Agencies-WAIPA*), to provide the staff with useful exposure to the investment promotion experience of successful IPAs' worldwide. Moreover, the on-the-job training provided by the international investment promotion expert will provide continuous, practical capacity-building to the Agency staff. In addition, periodic staff meetings or retreats will be used to promote a clear understanding of the ANIH mission, as well as individual and collective roles of the staff, and operating procedures.

Training in investment promotion and investor targeting will be provided by UNCTAD in cooperation with UNDP-Albania, and delivered through workshops aimed at ANIH staff and senior Government officials of institutions responsible for promoting and facilitating investment in Albania. The workshops can last from 3 to 5 days. The course material would be custom-tailored to ANIH's particular circumstances and cover international best practices in investment promotion and investor targeting. The instructional programme can include an overview of global and regional FDI trends with special emphasis on Albania; an examination of corporate FDI decision-making strategies; a discussion of company cultures and ethics – highlighting the differences in company perceptions and management styles; a survey of post-investment servicing best practices, and a discussion of quantitative techniques commonly used in investment promotion - such as SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

Annex B provides an outline of a comprehensive program of investment promotion training. This program may be supplemented by study tours abroad and external training for selected staff.

The timing and delivery of staff training is crucial and will be conducted in the context of the institutional work programme and priorities. To minimize disruption of the Agency work programme, extensive training activities are deferred until the second full year of operation. However, a short-term investment promotion and investor targeting skills training programme can be conducted in Tirana or Geneva by UNCTAD in the middle of 2003.

A. BACKGROUND

A.1. Foreign Direct Investment (FDI) in Albania

In the year 2001 FDI activity picked up in Albania both in terms of volume and number of foreign investors interested in Albania. Total FDI reached more than \$180 million and the number of registered joint venture and wholly owned firms increased substantially. However, most of the increase in FDI activity is the result of privatization in the telecommunication and the banking sectors, while the difficult business environment continues to have a dampening effect on FDI flows into the general economy (non-strategic sectors).

Most of the foreign investment in Albania is in small and medium sized companies (less than 50 employees). Central to their investment strategy in Albania is having a long-term vision and 'growing' with the country. Many of them came to Albania to benefit from the country's comparative advantages or to get in early to establish a position in a new, growing market.

Sectors most attractive to foreign investors in agriculture and industry include fisheries, fish processing, food processing, olive oil refining, beverages production, wood processing, building materials, and clothing and shoe assembly. However, FDI in agriculture is very low and limited because of small land plots and restrictions on foreign ownership of rural land.

The share of FDI in industry has grown in recent years. Most of it is in the textile and leather sectors. The FDI activity is in export-oriented subcontractors, particularly in leather, apparel and footwear from Italy and Greece. The foreign investors prefer to provide the Albanian party with materials and take away the production. This type of arrangement reveals the reluctance of the foreign investors to be directly involved in the Albanian economy. In this way they minimize their risks. They are not exposed to the weak Albanian administration, financial markets, private property protection systems and to local labor management issues.

In services, FDI is concentrated in banking, retail and construction. FDI in the construction sector is growing in terms of the number of investors and the volume of their activity. Most of the investors in construction come from Turkey, Italy and Greece. FDI will likely expand in this area as investment in infrastructure and buildings (business centers and housing) is growing, based on the flow of resources from donor countries.

Albania resource endowments make the agriculture, tourism and manufacturing, in conjunction with the country's abundant labor, the obvious targets of an investment promotion strategy. This strategy is buttressed by the existing pattern of Albania's exports. The labor intensive manufactured products are half the total exports with textile and garments and leather products as the leading product groups. Agriculture, minerals and construction materials make about 10-15% each. The textile and footwear products are the fastest growing group in recent years.

The Stability Pact initiative could help Albania's prospects for FDI in a major way. Closer regional integration, to the point of eliminating quotas, tariffs, customs or other barriers to trade among participating countries, will in effect, enlarge Albania's relatively small domestic consumer market and make it more profitable for market-seeking transnational corporations to establish affiliates in Albania.

A.2. The Investment Climate

The low levels of FDI in Albania persist for reasons beyond political instability. The main reasons for the low levels of FDI in Albania are:

- The slow process of privatization of state land and buildings holdings, and the medium and large state enterprises in the capital-intensive sectors such as mining and energy.
- Low interest of foreign investors to invest in the country because of:
 - Perception of high risk associated with the weak rule of law, weak judiciary system and law enforcement, corruption, and low capacity of the public administration.
 - Lack of low cost and efficient infrastructure (transport, electricity, water, industrial parks and Export Processing Free Zones, etc.) for export oriented FDI and tourism.
 - Weak and oppressive tax administration (income tax, VAT and Customs). Unsupportive tax environment for export oriented FDI.
 - Weak financial sector and insufficient financial services to the private sector. High real interest rates, weak credit intermediation services (lack of long term financing and leasing services), high collateral requirements, very poor payment and depository services, low quality services for international trade (it takes one week to transfer funds) and weak banks' supervision.
 - Weak legal and administrative framework to record and protect property rights in urban areas and land for tourism, commercial and industrial uses. Problems in access to land and construction of industrial parks, office buildings and commercial centers resulting from slow clearance of conflicting title rights and bureaucratic procedures for property rights registration, zoning and construction approvals.

The Albanian government is taking strong and bold measures to address the above issues and to build credible systems. The government prepared comprehensive action plans to improve the investment climate with the aid of donors. However, these programmes and action plans will take some time to affect the investment climate. The analysis of the investment climate and the work of the World Bank on the barriers to investment will serve as important background for the work PROGRAMME of ANIH.

B. ANIH BUSINESS PLAN GUIDING PRINCIPLES

The institutional framework for an investment promotion agency and its work programme should be based on certain core principles. Experience shows that these principles need to be addressed in the strategies and structure of an investment promotion agency which is capable of successfully promoting foreign investment. These core principles guide the preparation of a business plan for the building and operation of ANIH and include:

- The mandate. The mandate should be clearly defined, specifying the role, functions, and client focus of the agency. It provides the basis for establishing organizational objectives and the means for achieving these objectives.
- The legal basis. Experience shows that a clear, well-defined legal status is necessary to provide institutional stability, minimize undue external interference, and clarify the position and authority of the agency to all interested parties.
- The governance. Since investment promotion agencies represent the national interest and work closely with the government and the private sector, the governance of these institutions should be based on the concept of public and private sector participation. The public sector participation will create the necessary network with other public institutions. Experience shows that this approach offers the advantage of combining the government's role in addressing issues related to the national interest with the dynamism of the private sector.
- The strategic orientation. A national strategy for the promotion of foreign investment should be developed using a combination of techniques to attract investors to the country. One of the key inputs for the strategy should be an analysis of the country's competitive advantages in order to determine the sectors that are most likely to attract foreign investors. Over time, this strategy should be evaluated and refined in response to changes in the investment environment and international competitive conditions. In this connection UNCTAD has, in cooperation with UNDP, recently completed an *Investor Targeting Strategy for Albania* report, which was launched at a national workshop in Tirana (Albania) on 20 February 2003.
- Collaboration with government and private sector entities. In order to be effective in facilitating investment and providing services to investors, investment promotion agencies must establish strong working relationships with the relevant national and regional organizations involved in the process of establishing and conducting business in the country.
- Human resources. One of the most important assets of an investment promotion agency is its human resources. The staff of such an agency should be distinctly service-oriented professionals with a high level of commitment to the goals of the agency. In order to attract highly motivated people with the required knowledge, and to minimize turnover rates, investment promotion agencies often find it necessary to establish competitive scales of remuneration including bonuses based on performance.
- Funding. Funding is an important aspect of the organization and operation of an investment promotion agency. Long-term financial support, under binding agreement, is required in order to help ensure its stability and continuity. Since these agencies provide a “public good”, they cannot

operate on a for-profit basis. Consequently, these agencies must rely on Government funding, perhaps with some private sector participation (in cash or kind). The agency will leverage its own promotion resources with the resources of other public institutions and the private sector. The source of the public funding should be based on a long term arrangement based on a trust fund formulae. In this connection, UNDP-Albania has been requested to explore the possibility of establishing an ANIH multiyear, multidonor trustfund.

B.1. ANIH Functions

The core objectives proposed for ANIH are:

- The formulation of a national investment promotion strategy, in conjunction with the Government; and
- The implementation of that strategy on behalf of the Government in an effective and efficient manner.

An investment promotion strategy is usually designed to increase the levels of investment in a country by implementing a combination of promotional activities aimed at potential and existing investors. Since investment promotion can be considered as the marketing of a commercial product, i.e., the country, it is necessary to analyze the Strengths, Weaknesses, Opportunities and Threats (SWOT) of the country (product) and its attractiveness to potential investors. The following Box 1 includes an evaluation of the Albania SWOT as it appears in UNCTAD’s *Investor Targeting Strategy for Albania* report:

Box 1. SWOT analysis of Albania as an FDI location

<p>Opportunities</p> <ul style="list-style-type: none"> • Regional economic integration • Bilateral and multilateral agreements • Large diaspora • Reform educational system • Rebuild infrastructure 	<p>Strengths</p> <ul style="list-style-type: none"> • Low-cost skilled labour • Strong work-culture • Mineral resources endowment • Natural and tourist attractions • Investment permissive legal environment • Geographical proximity to major regional and European markets • Access to Adriatic and Mediterranean seas
<p>Weaknesses</p> <ul style="list-style-type: none"> • Security and safety • Small domestic market • Low per capita income • Poor infrastructure • Outdated industrial technology • Weak financial sector 	<p>Threats</p> <ul style="list-style-type: none"> • Competition from neighbouring countries • Rise in wages and erosion of labour-cost comparative advantage • Political instability • Law and order is not established

Source: UNCTAD “Investor Targeting Strategy for Albania”

B.2. The Sector Promotion Strategy

Based on the above SWOT analysis and sector analysis work done by UNCTAD, Albania should seek to attract FDI into products in which the country is considered to have international competitive advantage, current as well as potential. The following are UNCTAD's recommendations for sectors of activity, that can serve as guidance for the image building and promotion activities of ANIH.

AGRICULTURE in Albania has major development opportunities arising from the country's geographical position, resource endowments, the quality and abundance of its labour force and the existence of the resilient private sector. The country can become a significant exporter of **organically-based agricultural products** aimed at European and other world markets. Albania should endeavour to develop an agriculture sector based on organically-produced, high value commodities, including select fruits, vegetables, niche produce and grassland-based livestock products. Foreign investment should help develop Albania's intermediate food processing capabilities and provide critical access to foreign markets. Albania's investor targeting strategy in agriculture should target major food wholesalers and retailers in Europe and the United States of America. These wholesalers should have developed distribution networks that will ensure that such Albania's exports reach desired consumer markets.

MANUFACTURING sector in Albania can attract both market-seeking and efficiency-seeking FDI.

- Market-seeking FDI in manufacturing will initially be limited because of the small Albanian market and low consumer purchasing power. The small market impediment to FDI can, however, be mitigated by further progress made in the regional market integration scheme as envisaged under the Stability Pact for South-eastern Europe initiative, in which Albania participates. In attracting market-seeking FDI in manufacturing, investors that are Albania's main import partners can be good targets, for example, Italian, Greek and German firms, producing finished **brand name clothes, processed and canned foods, and brand-name cigarettes**.
- Efficiency-seeking FDI in Albania's manufacturing sector will be attracted to the country's quality low-cost labour force, and attractively priced privatization deals. The investor targeting strategy should promote to investors specialising in products in which Albania is considered to have export competitiveness, especially **natural fibre garments, and footwear** (in particular leather shoes). Albania should also consider targeting foreign investment in manufacturing products it currently does not export, but in which it could potentially develop international competitiveness, such as **electronics, household appliances and small machinery**.

TOURISM in Albania has major development opportunities arising from the country's beautiful coastal and lake areas, unspoiled environment and rich cultural heritage. However, because of the current state of Albania's infrastructure, FDI in tourism will in the short-term likely be limited to developers of **marinas and holiday villages**. Investors from Italy, France and Germany can be good targets in this regard. In addition, Albania urgently needs a detailed tourism master plan to guide its infrastructure development and potential investors.

MINING investors in Albania will be attracted to the country's substantial mineral reserves and opportunities for further exploration and extraction. Mining in Albania suffers from obsolete equipment and technology, as well as frequent disruptions of production and supply lines, and a lack of modern managerial expertise. An investor targeting strategy in mining should aim at leading international firms practising environmentally sound production processes. In light of the fact that most foreign investment in minerals in transition economies in Central and Eastern Europe in the late 1990's took place in **quarry products, cement plants, and construction materials**, Albania's investor targeting strategy should aim

at firms engaged in these areas, particularly in the **limestone, marble and dimension stone** production. The investor targeting strategy should also aim at transnational corporations (TNCs) engaged in **chromium ore** and **ferrochromium** production as this builds on Albania traditional strengths in these areas. Finally, the strategy should aim at privatising the existing mines and production facilities and in selective issuing of new exploration licenses, for example, in **copper** exploration -- currently popular with European mining TNCs. TNCs from Europe and the Americas should be prime targets in this regard. In targeting investors in the **OIL AND GAS** sector, Albania should take advantage of its excess capacity in the petroleum industry, especially in equipment and spare parts manufacturing. The investor targeting strategy should aim at TNCs specializing in **oilfield exploration** and **drilling rigs construction and operation**, and should target the development and rehabilitation of existing oilfields (e.g., Kucova, Amonica, Velca, and Delvina oilfields). However, the potential of FDI led economic growth in Albania's petroleum industry is not substantial, and promoting FDI into this sector should not be a top priority for ANIH.

B.3. Targeting Strategy for Home Countries of FDI

A very important part of an investor targeting strategy is to prioritize the decision of what groups of investors to target and where to promote. Surveys and studies of investment behaviour of investors from different home countries reveal a national preference. Initially, the European investors will be the best targets for the promotion strategy. The country destination of Albanian exports and the country of origin of its imports can reveal the trading partners and the potential sources of FDI.

The long trading relations and the significant presence of foreign investors from Europe in the country signal the potential of future increase of FDI from this region. The largest number of foreign investors in Albania come from Italy and Greece. According to the Italian Business Association, there were 700 Italian firms in Albania in 1996, and 530 in 1999. The drop reflects the 1997 – 1999 period of crisis; although many observers agree that the future outlook is favourable given that the Albanian Government continues with planned reforms and nation-wide stability is restored. For historical and geographic reasons, Italian firms feel comfortable with their trading relations with Albania. Italian firms can be the target for FDI in, amongst others, privatisation, infrastructure, and tourism projects. Greece, Turkey and Germany also have significant trading relations with Albania and probably could be interested in market-seeking FDI. In particular, firms from Greece are the most likely but not exclusive candidates. In the medium to long-term, Albania's geographical proximity to Europe could facilitate "just-in-time" techniques of production, especially attractive for non-European TNCs. Moves towards the association agreement with the European Union (EU) should further reduce import duties for Albania's exports to EU economies.

Investors from the United States of America can be good targets for privatisation sales and infrastructure projects. On the other hand, American firms are less interested in implementing efficiency-seeking strategies away from their home markets. Those interested in this type of strategy are investing in Mexico, near the United States border, or in Central America and the Caribbean.

The most interesting prospective targets for efficiency-seeking FDI to Albania can come from the Far East. Pressed by rising labour costs and in search of market access to Europe, these investors may be interested in locating their manufacturing facilities in Albania. The Far Eastern investors are mobile and are searching for locations that can guarantee the supply of low-cost productive labour, good infrastructure, and efficient transportation system. The Export Processing Free Zones, or Industrial Estates with state-of-the-art infrastructure and communication systems, may offer them such an opportunity in Albania. The best targets are located in Hong Kong (China), Malaysia, Republic of Korea

and Taiwan P.R.C.. These and Singaporean investors can also be good targets for investments in Albania's infrastructure.

Investors from Japan are very sensitive to political risks and may feel themselves at a disadvantage compared to European companies that have traditional ties to the region. They will be less interested in privatization opportunities because they are less keen to have to deal with problems of eliminating surplus labour and restructuring formerly state-owned-enterprises. The most important deterrent for them will be the perception of political instability and the sense of insecurity for their expatriate personnel.

B.4. Targeting Companies and Decision Makers

The targeting of companies in the chosen sectors will be based on certain criteria such as the size of the company, its performance, involvement in international trade, financial position, the state of the competition in its home country market, and in international trade, the company's position in the market, and the strength of its trademarks. The size of the company may affect the type and intensity of the information needed. Small companies need more information and are good targets for large investigation missions. Targeting firms with international experience may increase the chances of success in getting the company interested. The financial position of the company will be used to determine if the company has the resources to carry out an overseas investment. The company's position in the market may help investment promoters create a "bandwagon" effect – when other firms in the industry follow the market leader – if the market-leader can be persuaded to invest in the country.

The list of potential target companies will be obtained from commercial database companies that can do the search according to chosen criteria. Alternatively, the search can be performed internally, within an IPA. The lists thus obtained will be used to employ direct sale techniques or form the basis for selecting potential participants in seminars or invitees for missions. It is not enough to target the companies. Within the companies there are specific people that are involved in the investment decision-making process. They may include the Chief Executive, Chief Financial Officer, Regional Director, or other managers involved in the site selection process.

B.5. The Strategy of The Promotion Function

The promotion function strategy of ANIH will aim to achieve an appropriate balance and time-phasing of the following promotional activities:

- Investor servicing - providing services to existing and prospective investors;
- Image-building - improving a country's image within the investment community as a favorable location for investment;
- Investment generation - identifying and establishing direct contact with potential investors and persuading them to invest; and
- Investment policy assessment and advocacy.

The particular combination of activities varies by country over time and is usually influenced by the investment environment, resources available for promotion, and investment priorities of the country.

B.5.1. Investor Servicing:

Investor servicing or facilitation activities are used with all investors but they are particularly effective for foreign investors. They focus on helping those investors who visit a country to quickly establish their investment there, and they form an essential component of all successful investment promotion strategies. Even before allocating resources to encourage more potential investors to visit, it is essential that those who come of their own accord are treated well and are helped to establish their investments with minimum difficulty and delay. Satisfied investors are the best possible promoters for additional investment, and governments devote considerable attention to implementing effective investor servicing mechanisms as part of their investment promotion strategies.

Investor servicing concentrates on providing potential investors with good and reliable information, easing the problems they face in obtaining government clearances and permits, and helping the potential investors overcome the numerous hurdles they face in implementing investment projects in a new environment. These services can be classified as (1) pre-investment, (2) during the investment process, and (3) during the operational stage. Their aim is to assist and support the investors from initial contact, to start-up of operations, and future operations.

The types of investor services that ANIH should offer to investors are outlined in detail in Annex A of this Business Plan. Essentially, ANIH should move as rapidly as possible to provide a range of these services, focusing primarily on existing investors (those already operating in Albania, specially in Tirana area), and those investors who have expressed interest in Albania. Priority should be given to the following specific activities:

- Establishing contact with the existing investors;
- Developing an information system to respond to requests of potential investors for information on investing in Albania;
- Developing a network of contacts in the public and private sectors;
- Assigning investors and projects to specific experts (Desk Project Officers) within ANIH to enhance the accountability and the provision of better service.
- Introducing an internal system for tracking contacts with investors in order to enhance the quality of service and provide the management with a means of evaluating staff performance in this area;

B.5.2. Image-building:

Image-building techniques are used for three main objectives:

- Create a positive view of the country abroad as a suitable location for potential investors,
- Create a positive image of the benefits of all investments, in particular of foreign investments (and foreign investors) domestically, and
- Create a positive image for ANIH and its staff as promoters and service providers for FDI.

Some evidence suggests that there are significant misperceptions about Albania in the international business community, ranging from confusion about Albania's political and social environment, to the status of its governance. Therefore, priority should be given to a small, highly focused general image-

building campaign. Given ANIH's limited resources and the high cost of international communications and public relations, the scale of the effort for image building must necessarily be modest.

There is, however, considerable scope for imaginative and cost effective public relations initiatives based on cost sharing. As a starting point, it may be beneficial and cost effective to initiate image-building activities by inviting key international journalists and reporters to visit and see the evolving Albania for themselves. This may result in more favorable press coverage in major international publications and is likely to contribute to changing some of the unfavorable perceptions of Albania in the international investment community.

Image-building involves the use of promotional material and publications such as: fact sheets and newsletters; special reports and speeches; a range of publications and brochures, including a flagship brochure; media and public relations activities; participation in general investment seminars and conferences; and general or targeted advertising. These activities, and especially general advertising, are expensive and often require the skills of highly trained specialists to implement them effectively.

ANIH should undertake highly-focused image-building activities during its first year of operations to inform the local business community, the local and international chambers of commerce, and foreign embassies and delegations about its existence and activities. Furthermore, ANIH should leverage its limited resources available for image-building by collaboration with banks and other international institutions in sponsoring investment seminars in Tirana and in selected cities in Western Europe. Finally, general advertising programmes in international publications should not be considered part of ANIH's promotional campaign for the foreseeable future.

B.5.3. Investment Generation:

Countries seeking more investment use techniques to identify sectors and potential individual investors, and to encourage investors to evaluate the prospects for setting up an investment. These generation techniques tend to be expensive and while their proper use normally increases the flow of potential investors, they are best used when a favorable policy environment and stable institutional base are already in place in a country, together with the capacity of the promotion agency to service investors.

It is not advisable to actively encourage potential investors to visit a country at a time of major investment policy or institutional changes as this is likely to result in negative experiences and perceptions for the visiting investors. Such negative experiences and perceptions should be avoided since they can be highly damaging to a country's long-term investment interests. However, it is advisable that ANIH should host foreign investors missions from abroad in collaboration with foreign governments in areas of interest of the country. ANIH could also conduct seminars and conferences abroad in sectors of interest (e.g., investment forum in New York, etc.).

B.5.4. Corporate Development Support:

Corporate development support (CDS) generally refers to post-approval services to current investors and maintaining regular contact with, and providing assistance to established investors in a country. The latter group is very important because according to some estimates, satisfied established investors are likely to invest three times the original investment over the average life of their presence in a country. These investors can also serve as useful source of information and feedback on investment conditions in the country and provide useful insight into global and regional industry trends and prospects.

Post-approval (or post-decision if no approval is required) servicing of current investors is considered a necessary activity by IPAs in most countries, and here agencies seek to ensure such things as the quick delivery of all government permits and clearances; assistance in the identification of suitable sites and buildings including the operation of land banks and industrial estates in some countries; assistance in obtaining necessary infrastructure such as telephones, power, water and sewage; providing key introductions to government, business and community contacts; assisting in the numerous settling-in problems new investors face in moving to a new location; maintaining follow-up contacts with investors to help ensure progress towards investment realization and in-time development of expansion plans.

The reasons Corporate Development Support (CDS) plays such an important role in investment promotion strategies are as follows:

- Satisfied investors are often the best promoters of still further investment; they demonstrate the reality of undertaking investment in a country and serve as a point of reference for further promotional activity. Many prospective investors will talk to established investors when making their decision to invest in a country or not;
- CDS is probably the most cost-effective and manageable element of all investment promotion activities;
- CDS is most needed in investment climates where not all the business environment elements are favourable, and there may be obstacles to realizing investments from interested firms. Unlike image building and investment generation, providing CDS services is an effective promotional activity at an early stage in a country's effort to attract foreign investment.
- CDS can be provided in a pro-active or reactive manner. With a pro-active approach, the IPA actively takes the initiative of making contact with established investor, for example, through information briefings on new laws and regulations, while the reactive approach focuses on responding to specific requests for assistance. Conscious decisions are required on which of the two approaches to follow, as both have merits, and each approach has substantially different resource implications. Staff and budget availability, the size of the country, the number of existing investors, and the degree of urgency attached to successful servicing, will all influence the decision made in this respect. Locations like Ireland and Singapore have followed a highly pro-active CDS approach, and particularly so in the early years of their drive to win FDI. Such an approach, however, is generally costly in terms of the resources required.

B.5.5. FDI Strategies and Policy Advocacy:

It is important for ANIH staff to share a common vision of what they are trying to achieve and how this will impact on the lives of Albanian people and economic reality of the country. But, the Agency also has to communicate this vision to the Albanian people, and most importantly, to the various Government ministries with which it will have to work and who have the power to facilitate or hamper its achievements. In this connection, ANIH should develop its capacity for policy assessment and advocacy on behalf of investors. This is an important function for ANIH to implement on behalf of all investors, including domestic investors. ANIH should act as a catalyst for change and for policy reforms which directly affect all investors, domestic and foreign, and which remove inhibiting constraints. The policy advocacy function should cover all aspects of the investment environment, including its legal and regulatory frameworks for both foreign and domestic investment. In addition, this function should cover active participation in the work on removing the administrative barriers to investment executed currently by the World Bank and IFC.

C. INVESTOR SERVICING ACTIVITIES

Investor facilitation services, services will be sub-divided into:

- Pre-investment;
- During the investment process; and
- During the operational stage.

For each of these groupings, promotion agencies have the option of providing or not providing them, and of providing them in an active or in a passive manner. The decisions made on each of these options determine the degree and range of services offered to investors.

C.1. Pre-investment Services:

These services are designed to help investors to proceed from discussing a potential project to the point that they move to start the investment process. They include:

- Steps to identify ANIH itself to investors,
- Provision of a range of information services,
- Systems and procedures for handling first-time investors site-visits to the country.
- Office systems and procedures for dealing with new investors.
- Systems and procedures for tracking investments and for follow-up on their requirements.

For ANIH to identify itself to investors it will take steps such as setting-up suitable signs at airports, circulating information to its own embassies abroad, and foreign embassies and representative offices at home, circulating information to hotels frequented by foreign investors, and advertising in suitable media outlets. For new agencies which are not well known, some or all of these activities need to be undertaken so that their name, and the services they provide, become known to potential investors and to organizations who are in contact with these investors.

The information services required by investors cover a wide range of topics, and will be provided in different forms and methods. Topics required cover all aspects of commercial life, and information will be provided verbally, in written form, by video or by wire. Standard information required includes economic data on the country, taxation policy and levels, banking and interest rate levels, company establishment procedures, steps required to set-up and run a business, factor costs, site and infrastructure availability and cost, communication systems including times and costs of imports and exports to specified locations. Project specific information includes possible partners and suppliers, local market potential, competitors investments, available consultants, and details on possible locations with the pluses and minuses of each.

While ANIH staff will know or can access some of the information required by investors, they will not know much of it and for this they will need to know how this information will be obtained. Standard queries will be answered using fact sheets and a range of such items will be prepared. Furthermore an introductory video can be helpful in introducing new investors to ANIH and the country. A good

investment library will also be useful as a quick source of reference materials for agency staff and for some investors. Good quality computerized files now exist on most international investors and access to these files will provide staff with highly relevant information.

No investment promotion information system is complete, however, without a knowledge of and access to a network of contacts in the public and private sector who are willing and able to inform potential investors on the range of commercial and other facts which they will seek prior to deciding on an investment.

The operation of site-visit procedures will be the most important servicing function. These procedures will include arranging and accompanying the first time investors from their arrival at the airport to their departure. Different site-visit procedures will be applied to major as distinct from minor investments. Equally, attention will focus on helping arrange key meetings for investors on site-visits rather than arranging all of their meetings. Follow-up steps will be an important element of all site-visit procedures.

Internal procedures for dealing with new investors will cover reception, casual versus serious inquiries, and follow-up procedures. All staff members will be familiar with these procedures and will follow them as part of an operating practice.

Systems for tracking investors also will be developed and implemented. These systems will be simple. The purpose of a tracking system is to ensure that ANIH staff note the status of individual projects, from initial contact to investment realization, can report on this status quickly, and can react to any bottlenecks that might arise as the project progresses. This tracking system will provide critical information in monitoring the investor servicing function.

C.2. Service During the Investment Process:

Most investors expect that whatever else investment promotion agencies do, that at a minimum they will help them get whatever government clearances and permits are required, both nationally and locally, and that they will do this quickly and efficiently. In order to accommodate this aspect of servicing, the Government of Albania is currently initiating steps to simplify the investment clearance process (including obtaining licenses and permits), and make it more automatic. Through its proactive policy advocacy role, ANIH will take steps to ensure that this process continues and is eventually successful.

C.3. Service During the Operational Stage:

This servicing concentrates also on the operational stage of the project and includes:

- actions to ensure that government permits and clearances are obtained quickly;
- actions to provide or access suitable sites and infrastructure for investment, and/or to ensure the delivery of planning permits and adequate infrastructure to sites selected by investors;
- assistance in obtaining any on-going custom, revenue or visa/work permit clearances that occur in moving to start-up of operations;
- assistance in finding local partners;
- assistance in obtaining suitable local finance and if necessary in clearing foreign exchange difficulties;
- assistance with introductions to public and private sector representatives nationally, locally and within the community where the investment is planned; and

- general assistance on day-to-day difficulties that arise for any new project settling into a new and unfamiliar location. These will cover project and personal matters.

The availability of serviced sites and buildings is an aspect of operational stage servicing that has very practical implications in Albania. Without suitable sites and buildings the project realization levels will suffer badly. These problems, coupled with the real constraints that often exist on the availability of physical infrastructure - such as roads, water, sewerage, power, telecommunications, - have led Government to consider providing serviced industrial estates in selected locations. ANIH will assist investors in their dealings with such estates in Albania.

D. INVESTMENT PROMOTION TRAINING

The training will be done in the following areas:

a. Investment Promotion Concepts - An Introduction:

- Major components of an investment promotion strategy
- The importance of investor servicing, and especially its importance for Albania in its current economic and political circumstances
- Understanding the promotion "Product"
- Understanding the "Customer"
- Understanding the competition
- Investment promotion techniques
- Organizing for investment promotion

b. Investor Targeting:

- Identifying target companies
- Using commercial databases and free sources of information
- Methods of contacting investors
- Corporate investment decision-making
- Use of quantitative tools in investment promotion

c. Business Strategy and Investment Trends:

- Globalization and business strategy - Reasons for investing abroad
- The investment location decision process
- Differentiating decision factors by sectoral orientation and nationality of investor
- Meeting special needs of small and medium investors

d. Providing Investor Services

- Pre-investment services
- Investment process and permit clearance services
- Operational stage services.

e. Investment Promotion Skills

- Effective business writing
- Effective telephone communication
- Organizing successful site visits
- Presentation skills
- Arranging successful meetings

E. 2003 ANIH ANNUAL WORK PROGRAMME

Organizational Efforts	Investor Servicing	Image-Building
<u>1st Quarter</u>		
<ul style="list-style-type: none"> -Commence internal training of all staff on bi-monthly basis, emphasizing positive attitude and customer service -Produce office policy and procedures manual covering administrative and personnel matters -Arrange study tour for the Director and ANIH key staff 	<ul style="list-style-type: none"> -Establish investor servicing procedures -Establish site visit procedures -Follow up with existing investors/ companies -Make lists such as available publications, useful contacts, existing foreign companies, etc. -Develop and implement data base 	<ul style="list-style-type: none"> -Launch ANIH publicity campaign in Albania -Prepare orientation/presentation for investors using slides or MS Power point -Commence FDI promotional activities by calling on embassies, consulates and other foreign entities in Albania to inform them of ANIH and its function -Proceed with installation of sign at the airport and at the headquarters office.
<u>2nd Quarter</u>		
<ul style="list-style-type: none"> -Review and refine office manual and procedures -Technical assistance inputs -Investment promotion skills training for staff -Continue bi-monthly training sessions -Develop a system for staff performance evaluation 	<ul style="list-style-type: none"> -Implement investor project monitoring system -Begin to develop a network of public and private sector agencies at the national and regional level 	<ul style="list-style-type: none"> -Distribute new brochure to Embassies, Consulates, and to various international organizations and to commercial offices -Prepare inputs for privatization and infrastructure related promotional activities
<u>3rd Quarter</u>		
<ul style="list-style-type: none"> -Arrange study tour for management (e.g., to Ireland or Bulgaria) -Technical assistance inputs -Continue bi-monthly training sessions 	<ul style="list-style-type: none"> -Formulate systems and procedures for "post registration" servicing -Strengthen public sector network at national level -Begin to build public sector network on a regional level 	<ul style="list-style-type: none"> -Organize an FDI promotion seminar
<u>4th Quarter</u>		
<ul style="list-style-type: none"> -Plan study tours for other staff -Technical assistance inputs -Monthly training sessions - Prepare 2004 work plan and budget for discussion and approval by the Board 	<ul style="list-style-type: none"> -Begin to develop a private sector network on a national level 	<ul style="list-style-type: none"> -Begin to organize an agribusiness promotion mission to Europe for the spring of 2004 -Implement an FDI promotion seminar

F. 2004 ANIH ANNUAL WORK PROGRAMME

Organizational Efforts

Investor Servicing

Image Building

1st Quarter

- Conduct a review and evaluation of the past year's activities
- Technical assistance inputs

- Continue to improve service to investors through staff training
- Develop some tools for the evaluation of investor service such as surveys of investors, etc.

- Continue external image-building and public relation activities
- Begin to study likely sector for investors targeting with emphasis on e.g., agribusiness and tourism

2nd Quarter

- Present recommendations based on the evaluation to the Board

- Conduct an agribusiness promotion mission to Europe

3rd Quarter

- Implement recommendations of the Supervisory Board arising from the review of last year's activities
- Technical assistance inputs

- Evaluate the data base and recommend improvements
- Evaluate the networking efforts of the Agency and make recommendations for improvement

- Evaluate all promotional materials
- Follow through on contacts made during the mission to Europe

4th Quarter

- Prepare a comprehensive plan for all activities of ANIH for the coming year

- Review and evaluate results to date of the mission to Europe

G. 2003 ANIH FUNDING REQUIREMENT

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ANIH's Budget for the year 2003

(all amounts in USD)

A Operating Costs	<i>Required Budget 2003 (1)</i>	<i>Available Budget 2003 (2)</i>	<i>DIFERENCE (1-2)</i>
<i>Salaries and Bonuses</i>	<u>50'000</u>	<u>92'724</u>	<u>(42'724)</u>
Communications (telephones, fax, internet)	14'400	5'350	9'050
Travel (in country)	6'000	1'146	4'854
Office maintenance	8'500	-	8'500
Utilities	10'000	2'568	7'432
Office supplies	6'000	3'783	2'217
Office Equipment and Maintenance	60'000	30'572	29'428
Car and Driver	4'000	2'599	1'401
Representation	2'000	764	1'236
Miscellaneous	5'000	764	4'236
<i>Total Other Operating Costs</i>	<u>115'900</u>	<u>47'547</u>	<u>68'353</u>
Total Operating Costs	<u>165'900</u>	<u>140'271</u>	<u>25'629</u>
B Programme Costs			
<i>Image-Building</i>			
Promotional Materials	15'000	2'293	12'707
Public Relations Events	20'000	2'178	17'822
Missions and Seminars	15'000	8'117	6'883
<i>Total Image-Building</i>	<u>50'000</u>	<u>12'588</u>	<u>37'412</u>
<i>Consultants</i>	<u>45'000</u>	<u>-</u>	<u>45'000</u>
Total Programme Costs	<u>95'000</u>	<u>12'588</u>	<u>82'412</u>
C Other Costs			
Office Upgrade and Repairs	6'000	-	6'000
Staff Training incl. Study Tours	25'000	-	25'000
Total Other Costs	<u>31'000</u>	<u>-</u>	<u>31'000</u>
Total Budget 2003	<u><u>291'900</u></u>	<u><u>152'858</u></u>	<u><u>139'042</u></u>

Notes related to ANIH's Budget for year 2003

- * The budget is approved in LEK (Albanian national currency). The exchange of the amounts from Lek into USD is made based in the average rate of exchange (RoE) of the first two months of year 2003. The average of RoE is: 1 Usd=130.84 Lek.
- * Column No. 2 represents the total budget of ANIH for year 2003, approved from the Ministry of Finance. This budget amounts at Lek 20,000,000 and its equivalent in Usd is 152,858.
- * Salaries and bonuses are calculated based on the average salary. Also for the first semester the calculation is done based on the real Agency expenses related to salaries, considering that the Agency for the moment is operating with reduced human resources.