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ALBANIA

EMERGING ECONOMIES

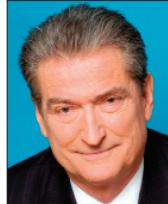
Back on track

NICOLA THORNTON

With the EU membership carrot dangling, Albania is putting its house in order at a rapid pace. As it continues to push ahead with far-reaching financial, legal and social reforms, the West Balkan state is reporting economic growth of between 5% and 6% and keeping inflation low.

The arrival of Democratic Party Prime Minister Sali Berisha on the political landscape in 2005, brought new hope to a country blighted by corruption, organised crime and an ailing physical infrastructure. Berisha swiftly set about improving Albania's image. First came the reinstatement of the rule of law, then a head-on war against corruption and crime. Within a year, the country was deemed safe and tourist numbers had risen by a third.

As a mark of how far it had come, Albania signed the first part of an EU Stabilisation and Asso-



Sali Berisha,
Prime Minister

tive, saying: "We will be offering investors sites for €1. We will offer them training for their employees for €1. We will offer them technological assistance for €1. We will offer registration for their businesses for €1. We will offer them entry to Albania for €1."

"This is the only way we can develop our poor country to EU standards and achieve European integration. I assure you that the greatest winners will be the Albanian citizens."

Many private partnerships have already been established. Tirana Airport Partners consortium, for example, won the tender for Tirana International Airport Mother Teresa in 2005 and is in the process of a modernisation and upgrade, with the

the population. It is the second largest industry after construction. Clearly, it has the potential to become the country's number one industry in a few years' time." The minister wants to see tourism transactions reach €1.4bn (£0.9bn, \$1.8bn) or 15% of GDP within two years.

But there are challenges ahead. Minister of Economy, Industry and Energy, Genc Ruli, notes that the trade deficit remains an obstacle. "Imports are currently between six and seven times higher than exports. However, there are some slightly positive trends in that technological imports are increasing and creating a base for the export sector," he says. "The priority key investment should, however, be focused on the infrastructure of the roads, electricity and water supply."

Lulzim Basha, Minister of Public Works, Transport and



Genc Ruli,
Minister of Economy
Industry & Energy

Telecommunication, says: "The biggest investment we are planning

until 2009 involves a €1.2bn package for roads and ports. The Milot-Morine corridor, part of the €55m Durres-Kules-Morine motorway, is already under construction and will connect the Port of Durres to Kosovo, southern Serbia, Macedonia and Bulgaria, cutting travel times in half. The motorway will provide an immense opportunity for sustainable growth of the port. It will become a local hub for reception and distribution of goods."

Feasibility studies have shown the new road will help double the port's capacity within two years. Currently handling about 90% of

"I want to make Albania the most attractive country for investment in the EU enlargement area"

ciation Agreement last spring. "Albania is back on track," says Berisha, "and my ambition now is to make it the most attractive country for foreign investment, business and tourism in the EU enlargement region."

With this in mind, the government has cut taxes, unravelled reams of red tape and is working on full privatisations for the state-owned telecommunications, electricity and oil companies. Last summer, the prime minister also launched the "Albania €1" initia-

aim of creating "a world-class airport that will give Tirana a distinctive identity within south east Europe". Currently, 15 airlines fly from there to 28 destinations. British Airways began flying there in March 2006. A state-of-the-art passenger terminal will be opening soon.

Investment opportunities lie in tourism, mining, energy and textiles. As Bujar Leskaj, Minister of Tourism and Culture points out: "Today, tourism contributes some 11% of GDP and employs 8% of

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Lulzim Basha,
Minister of Public
Works, Transport &
Telecommunication

the country's international maritime trade tonnage and most of its import and export traffic, Port of Durres will be a crucial part of the region's future economic development.

Basha says: "We launched a €40m international tender for the construction of a new passenger ferry terminal, which will be one of the most modern this side of the Adriatic and have capacity for a million passengers a year. Financing will come from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank and the Albanian government. We are also looking at the feasibility of a €60m investment for the concession for the container terminal. Likewise, the cement and bulk terminal and the grain terminal will be tendered for concession this year. The terms of reference were agreed with the World Bank."

The state-owned Port of Durres is managed and operated by the Durres Port Authority (DPA). Eduard Ndreu, general director of the DPA, says: "We are very optimistic about our plans since the economic institutions have never doubted investing in the port and we are constantly approached by investors who want to work with us. Studies by foreign experts have shown Durres is a key point in south east Europe since we are the main

Safety is one example of this. Ndreu says: "We are very strict on our safety and security measures, which is why we have such a good relationship with the Italian government. The security procedures we are implementing with the help of a US company follow the International Ship and Port Facility Security (ISPS) code. By offering higher security levels, we have a better chance of increasing the number of passengers and companies who want to work with us."

"The new €40m passenger ferry terminal will be the most modern this side of the Adriatic"

entrance into the EU. It is also important for tourism."

According to Ndreu, the port has two mandates: the movement of people and trade, mainly to Italy. Ndreu says: "The port handles all types of cargo, around 350,000 bulks, and we have around 700,000 passengers a year at the present time. Over the past few years we have made many changes to bring us up to the same level as other European ports in the area."

Getting better connected

Meanwhile, with full privatisation of state provider Albtelecom

slated for the end of the year, telecommunications is in the spotlight. Albtelecom is currently the only fixed-line provider, with Albanian Mobile Communications (AMC) and Vodafone Albania the two mobile operators, and Minister Basha is keen to liberalise the market as soon as possible so that Albania can become a regional front-runner for new technologies.

He says: "A liberalisation package has been undertaken, including local loop unbundling and Voice-Over Internet Protocol technology for all operators in Albania. We are currently liberalising the WiMax licenses."

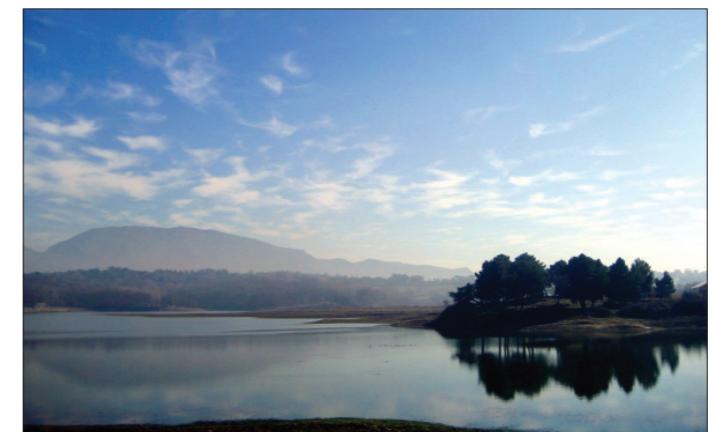
Albtelecom spent most of 2006 working on improvements to its image and existing services and products. Now the priority is to increase the number of clients using internet services. Albtelecom's director general Ilijan Kuka says: "From a technological perspective, Albtelecom is fully digitalised. Our challenge is to educate users that phone lines are not just for talking."

The company will be fully privatised following negotiations with

Turkish consortium Calik Enerji. It is a move welcomed by Kuka, who says: "Privatisation will increase Albtelecom's competitiveness and enable us to be more flexible on market changes – a must for Albania's competitive marketplace."

As new investors ponder Albania as a business destination, Albtelecom's chief is confident the telco landscape will match requirements. He says: "Albtelecom is the major player and partner in this field. We've improved and increased our infrastructure and are coming up with products and services geared to the business user. We have already introduced LAN services, hosting, internet and dedicated lines to help companies cut costs. Businesses can rent the infrastructure from us as their business grows. From a geographical perspective, Albania is the gateway to the Balkans. That, combined with the policies being implemented by the government to facilitate business, means it is a win-win situation for everyone."

Albtelecom holds the third GSM license and it is anticipated that a new operator will be



National park of Tirana

launched once the privatisation is completed. As Kuka points out: "This will have a significant impact on the mobile telephony market. For us, having a mobile product will enable us to offer cost-effective service packages for fixed/mobile/internet, which will be positive financially. The biggest winners, however, will be the consumers, who can only benefit from the competition."

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aging director, says: "As a member of [the Greek] COSMOTE Group, which is currently operating in five south-east European countries, we welcome the competition and the challenge of a third operator. We are the leader in our market, prevailing over an international name, and we have the experience, know-how and resources to sustain that lead."

Since launching its commercial operations in 1996, the company has helped convert mobile telephony into an everyday necessity,

providing "high quality, easily accessible communications to all". It now has a customer base of 1m and 52% of the market share. Oktapodas says: "When COSMOTE took over AMC in 2000, we upgraded the 25 existing base stations with higher technology. Today, AMC has around 360 base stations, offering 85% geographical and 98% population coverage. We have about 300 roaming agreements with 132 countries. We also significantly invest in the business sector, offering tailored programmes to our corporate customers."

Financially speaking, AMC is now one of the best performers in Europe. Last November, its nine-month report recorded an 11.9% rise in net income compared with the same period in 2005, with revenue figures increasing by 7.8% – a sum of €110.1m. Oktapodas says: "The fact we have double-figure growth after six years of operations shows the company's dynamics. Competition is fierce in the Albanian market, but we will always be one step ahead."

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Durres Port Authority
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