



FACT SHEET

Economic Growth

GROWTH OF SELF-SUSTAINING PRIVATE ENTERPRISES IN TARGETED



With a \$3,000 loan from USAID's micro-lending project, PSHM, Maliq Manuka, (his son pictured above), purchased equipment to support their small shop where they make custom furniture. Since beginning operations in Peshkopi in April, PSHM has disbursed over \$87,000 to over 50 clients.

PROJECTS

- Servicing Micro-Entrepreneurs in Albania (June 1998-Sept. 2006)
- Small Business Credit and Assistance (April 1995-Feb. 2007)
- Albanian American Enterprise Fund (April 1995-April 2009)
- Central Bank Assistance (April 2001-May 2007)
- Enterprise Development and Export Market Services (Sept. 2003-Sept. 2006)
- Albanian Center for International Trade (Oct. 2003-Oct. 2006)
- Property Restitution and Compensation Law (June 2004-Jan. 2006)
- Albanian Livestock Service Centers (April 2000-April 2006)

CURRENT SITUATION

In recent years, Albania has achieved significant economic growth, largely as a result of stable macro-economic policy and growing foreign remittances. From 1998 to 2000 the average annual economic growth rates was around 9 percent. It declined to 6.5 percent in 2001, mainly due to power shortages and the world economic slowdown, and further to 4.7 percent in 2002 due to lower public investment, continued energy shortages, political uncertainties and delays in key reforms. However, continued macroeconomic stabilization and structural reforms and improvements in the energy sector helped increase the GDP growth to 6 percent in 2003 and 5.9 percent in 2004. Per capita income has increased from \$870 in 1998 to \$2,400 in 2004. The average inflation rate during 2004 was 2.9 percent.

While these accomplishments are impressive, Albania remains one of the poorest countries in Europe and its per capita income is among the lowest in the Balkan region. Worldwide it ranks 65th of 177 countries on the 2002 Human Development Index. Officially, unemployment hovered at 14.4 percent in 2004, although unofficial estimates ranged from 10 percent to 22 percent. Studies indicate that the degree of inequality in national income distribution is steadily rising. Twenty-five percent of all Albanians fall below the poverty line of \$2 per capita per day, with poverty in rural areas reaching almost 30 percent. Although foreign direct investment in 2004 almost doubled the 2003 level, Albania is among the lowest recipients of foreign direct investment in the region. Trade deficit continues to widen, reaching \$1.69 billion in 2004 and exceeding the previous year's deficit by 19.7 percent.

Currently the private sector contributes with more than 75 percent of the GDP and more than 62 percent of all employment. Micro, small and medium enterprises are the driving force for Albania's economic growth and job creation. They account for 99.5 percent of private enterprises and about 75 percent of total employment in non-agricultural sector. However, the development of micro, small and medium enterprises has been hindered by their weak competitive capacity, their limited access to commercial credit and the unfavorable business environment caused by widespread corruption, unfair competition, high cost of business registration and inconsistent application of fiscal laws and regulations. In addition, poor infrastructure (energy, communication and transportation), disputable property ownership, and weak rule of law discourage domestic and foreign investments.

PROGRAM OVERVIEW

USAID activities are designed to promote sustainable economic growth and poverty reduction by strengthening the competitive capacity of private enterprises; increasing the access of micro and small and medium enterprises to credit; and fostering a policy environment that enhances business development, trade and private investment. Assistance in 2005 focuses on enhancing the competitiveness of Albanian enterprises in the domestic and foreign markets and making commercial credit more accessible and available to micro, small and medium enterprises.

CONTINUED >



FACT SHEET

Economic Growth

GROWTH OF SELF-SUSTAINING PRIVATE ENTERPRISES IN TARGETED

Greetings from Albania



"Tirana is beautiful" Bora Skenderi 10 years old



"Greetings from Albania" postcard contest winner, Bora Skenderi, 10, said: "Tirana is my home town and I love it. Through my painting, I wanted to share a piece of its beauty, history, and life. I wanted to show the foreigners how beautiful Tirana is." Since 2003, USAID's EDEM project has supported the growth of various business clusters in fields like tourism, leather, herbs and spices, and meat processing.

Contact Information:
USAID/Albania
Tel: +355 4 241 999
<http://albania.usaid.gov>

PROGRAM FOCUS

- Strengthening the capacity of micro, small and medium-sized enterprises to compete in domestic and foreign markets;
- Making financial resources more accessible and available to micro, small and medium enterprises;
- Accelerating the entry of Albanian agricultural and manufactured exports into global markets;
- Maintaining a sound and well-regulated banking system with a focus on central bank operations, bank supervision and deposit insurance;
- Providing assistance for the rational and transparent implementation of the Law on the Recognition, Restitution, and Compensation of Property;
- Improving workforce skills through market-oriented vocational training and economic education.

SUCSESSES

- In 2004, 8,064 self-sustaining private enterprises have benefited directly from USAID's assistance in improving their technical, managerial and marketing capacity and increasing access to financial resources for the expansion of their business.
- Eighty-four loans were provided to participating small and medium enterprises for a value of \$9,962,217 by two commercial banks. USAID's guarantee funds of \$750,000 leveraged \$5.9 million from a commercial bank. The reimbursement rate of all bank loans was over 99 percent.
- Bank deposit increased by 30 percent to \$3.46 billion in FY 2004, indicating the growing confidence of the public in the banking system, partially as a result of USAID's effort to strengthen the operational and supervisory capacity of the Bank of Albania.
- The first registration of 212,000 properties was completed thanks to USAID's assistance. The data assembled during the process of First Registration has achieved the highest level of accuracy and legal sufficiency yet seen in Albania. USAID helped the Albanian Immovable Property Registration System create and strengthen the technical regulations and standards related to First Registration.
- A network of 12,000 Albanian farmers and dairy processors are trained in new product development, milk collection, business management, hygiene, sanitation and other subjects, and are improving the quality of milk products throughout Albania.
- The Albanian American Enterprise Fund (AAEF) supported the privatization of Albania's aviation sector through a joint venture with the Tirana Airport Partners consortium. In October 2004 the consortium, of which the AAEF holds 21.3 percent of shares, signed an \$83 million agreement with the Government of Albania to modernize and operate the Tirana (Rinas) Mother Teresa International Airport. The agreement will serve as a strong inducement for other foreign investors to take part in the privatization of the country's strategic sectors.