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**Albi Golemi, owner and manager of footwear company Alangore, reviews production processes with footwear industry expert, James Parchman**

# Rritje Albania / Competitive Enterprise Development Project

**ANNUAL REPORT FOR MARCH 18, 2009 – MARCH 31, 2010**

This publication was produced for review by the United States Agency for International Development. It was prepared by the team of Rritje Albania/ Competitive Enterprise Development (USAID Contract No. 182-C-00-09-00002-00) of Chemonics International, Inc).

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## LIST OF ACRONYMS

AAC	USAID’s Albania Agriculture Competitiveness Program
ACIT	Albanian Center for International Trade
AIMS	Chemonics’ Assess, Innovate, Measure, Share Tool
ALL	Albanian Lek
APS	Annual Program Statement
ATA	Albanian Tourism Association
B2B	Business-to-Business
BEO	Bureau Environmental Officer
BSP	Business Service Provider
CDS	CDC Development Solutions (formerly CDC)
CGP	Client Growth Plan
COP	Chief of Party
COTR	USAID’s Contracting Officer’s Technical Representative
CPR	Contractor Performance Review
CSTD	Center for Sustainable Tourism Development
DQA	Data Quality Assessment
dTS	Development & Training Services
EDEM	Enterprise Development and Export Market Services project
FIAA	Foreign Investors Association of Albania
GDP	Gross Domestic Product
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Technical Assistance Agency)
HO	Chemonics Home Office
IASMEDP	Italian Albanian SME Development Program (Ministry of Economy)
ICT	Information and Communications Technology
IDI	International Development Ireland
IT	Information Technology
KRA	Key Results Area
LGPA	USAID’s Local Governance Program in Albania
LOE	Level of Effort
MCC	Millennium Challenge Corporation
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
NTA	National Tourism Agency
PIR	Project Intermediate Results
PMU	Chemonics Project Management Unit for Rritje Albania
PPP	Public-Private Partnership
RCI	Regional Competitiveness Initiative
RDA	Regional Development Agency
RFP	Request for Proposals
RFPQ	Request for Pre-Qualification
ROI	Return On Investment
SME	Small and Medium Enterprise
SBCA	Small Business Credit and Assistance Project

SNV	<i>Stichtig Nederlandse Vrijwilligers</i> (Netherlands Development Organization)
STTA	Short-Term Technical Assistance
SWOT	Strengths Weaknesses Opportunities and Threats
TBD	To Be Determined
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value Added Tax
WEF	World Economic Forum
WTTC	World Travel and Tourism Council

## **A. EXECUTIVE SUMMARY**

On March 18, 2009, USAID/Albania awarded Chemonics International the Albania Competitive Enterprise Development contract, a five-year activity with a value of US\$9,774,154. To better resonate with the local client enterprises and Albanian partners, the name Rritje Albania/ Competitive Enterprise Development (Rritje Albania) was adapted in year one. This report covers the first project year from March 18, 2009 – March 31, 2010.

As Rritje Albania completes its first year, it is well-positioned to accelerate the pace of delivering technical assistance within a sound strategic framework that will enable firms to overcome binding constraints to business expansion. First year activities have focused on assessing the needs of client firms and designing technical assistance solutions and delivery mechanisms to remove identified constraints. The process of identifying firm-level problems consisted of a combination of self-assessment by owners and managers and rapid appraisals conducted by short-term technical experts and the project's technical staff. Based on the results of these assessments, Rritje Albania designed solutions that reflected best practices with a proven track record of delivering high-quality results. The solutions designed and delivered to client enterprises in the first year will be scaled up for adaptation to multiple clients in the coming months and years.

The report starts with an overview of Rritje Albania's goals, objectives, and implementation principles in Section B, followed by Section C, an account of the administration issues and related activities that have taken place in year one, starting with personnel, procurement and administrative policies established. Section D focuses on technical activities, initially through a detailed explanation of the industry and client enterprise selection. The implementation of specific activities is then described in detail starting with industry-level data and analysis, initiatives and results. Cross-sectoral implementation and results are then highlighted in Sections D5-D8 following Rritje Albania's project components: (1) Strengthening trade and investment capacity; (2) Increasing enterprise productivity; (3) Improving workforce development.

### **A2. Highlights of Year One Achievements**

Over the course of year one, the project conducted activities in the 10 initial municipalities identified in the project proposal and also added another four municipalities in response to requests from businesses. Staff canvassed the municipalities and met with multiple stakeholder groups to introduce the project and describe how businesses could access technical assistance. The meetings also provided opportunities to explore synergies and update findings from the desk review of country and industry-specific reports and studies.

Year one activities were concentrated on identifying and assisting firms working in five key industries. The initial screening of firms by sector enabled the project to acquire more in-depth knowledge of the strengths, weaknesses, and opportunities at both the firm

and industry levels. However, this strategy also steered the project's attention towards municipalities having the greatest number of firms in the target industries. As the year closed, this trend began to be reversed with renewed efforts to support businesses in all of the target municipalities.

At year end, 133 businesses in 14 municipalities were visited and appraised by project staff with a marked acceleration at the close of the year in the number of clients requesting and receiving assistance. This can be traced to a sharpened technical focus on the part of the project and a more clearly articulated strategy for working with businesses. Another influence was the dramatic increase in short-term technical assistance (STTA) experts mobilized by the project that began arriving in late November and continued each month through the end of the year.

Besides STTA by industry expert consultants, other technical activities included: one-on-one and group training, roundtable meetings, preparation and attending trade shows, conferences and business-to-business (B2B) meetings, development of marketing and publicity materials at the firm and industry level and the compilation of studies and reports to overcome information asymmetries for improved decision-making on the part of businesses and policy-makers.

Driven to deliver solutions at the enterprise-level that respond to market demand, Rritje Albania's initiatives and results cut across three project components and contribute to key results in the areas of trade and investment, productivity and workforce development. The activities undertaken that relate to these components include trade fair preparation and participation, improving the quality of client-firm products and services, expanding access to finance, adopting improved technologies and management practices, improving and developing training materials, and linking workforce supply and demand.

Also covered in the annual report is a description of the planning, monitoring and evaluation activities conducted in year one and the project's original and revised results framework, including performance indicator results for the year. In addition to finalizing methodologies for each of the key indicators, the monitoring and evaluation focus for year one was to collect baseline information from enterprises, the industry sectors and revise the indicators in order to streamline them with USAID Albania's Economic Growth performance monitoring plan.

### **A3. Challenges and Lessons Learned**

An important activity that projects need to do is evaluate the challenges, obstacles and difficulties affecting the achievement of results and take corrective measures as necessary to overcome them. In the case of Rritje Albania, the main challenges faced in year one related to the initial absence and eventual departure of the Chief of Party due to health reasons in August. Among other things, this meant that the opportunity to capitalize on early momentum, which normally gathers quickly at the start of new projects, was not fully realized. The replacement Chief of Party joined the project in late September.

The number and variety of technical assistance activities picked up dramatically over the last half of the year. This was due in large measure to the project team's growing number of contacts with clients and potential clients, development partners and other stakeholders to the project's goals and objectives. Also, the Rritje Albania team met regularly to review activities held, reflect on the challenges encountered and identify strategies to overcome them. This learning process was particularly evident in the development of the year two work plan and the planning process that preceded its submission.

## B. INTRODUCTION

On March 18, 2009, USAID/Albania awarded Chemonics International the Albania Competitive Enterprise Development (CED) contract, a five-year activity with a value of US\$9,774,154. Two subcontractors were part of the original project proposal, Development & Training Services (dTS) and Citizens Development Solutions (formerly Citizens Development Corps). dTS is a strategic management consulting firm leading initiatives in social and economic development worldwide. CDS provides assistance to emerging markets through staff expertise, consultants, and short-term and long-term volunteer practitioners.

To better resonate with the local client enterprises and Albanian partners, the project team proposed the name *Rritje Albania/ Competitive Enterprise Development* and throughout the remainder of this report, the project will be referred to as Rritje Albania. As contractually required, this report covers the first project year from March 18, 2009 – March 31, 2010.

The Rritje Albania team has prepared this report to provide information concerning outputs, outcomes and progress on major activities undertaken over the first 12 months of the project. The results and conclusions described in this report reflect the observations, knowledge, experience and feedback obtained from meetings with clients, industry experts, project partners, short-term technical consultants and others encountered in the last year. It also describes the challenges, obstacles and difficulties affecting the achievement of results.

### B1. Project Goal and Objectives

The goal of Rritje Albania is to enable Albanian private enterprises to expand their businesses and improve competitiveness, thus contributing to the country's continued, broad-based economic expansion. The project's main objectives are to support the sustained growth of non-agricultural enterprises, increase household income and create gainful employment by developing and strengthening the competitiveness of existing enterprises and start-ups in targeted municipalities of Albania. These objectives are being achieved through three component areas of intervention:

- (1) Strengthening trade and investment capacity;
- (2) Increasing enterprise productivity;
- (3) Improving workforce development.

Rritje Albania works with entrepreneurs, investors and other stakeholders involved in selected sectors and firms to identify constraints to competitiveness. Once identified, the project brings a mix of technical assistance, training, targeted grants and linkages to financing to help remove these constraints.

The project's main focus is to effect positive changes in competitiveness at the enterprise level as measured through two key indicators: increased sales and jobs. Over the life of

the project, Rritje Albania looks to contribute at least US\$98 million in increased sales at assisted businesses.

Besides its support to existing firms, Rritje Albania is sensitive to the needs of start-up firms, or downstream/upstream extension by existing enterprises, that frequently emerge to take advantage of opening markets. Over the life of the project, Rritje Albania will be on the look-out for such start-ups and will offer demand-driven assistance and grants to provide the support they need to generate sustainable new income and jobs for Albanians.

## **B2. Project Implementation Principles**

The following principles guided the work of Rritje Albania during year one implementation and were crucial to the development of the year two work plan.

### *Market-based interventions*

Rritje Albania takes market demand as the starting point for all program activity and works backward to solve the constraints standing in the way of achieving business potential and market competitiveness. The pursuit and capture of sales drives businesses to invest in human and capital assets to fill orders and earn profits. When firms actively and purposefully comb the market looking for sales opportunities they learn what is needed to be competitive and become economically incentivized to improve their products and services through enhanced productivity, adaptation of new technologies and professional management practices. The pursuit of sales is the incentive that drives firms to improve their competitiveness which leads to more profitable businesses and lasting job growth.

### *Local ownership and participation*

Rritje Albania fosters local ownership and participation by building close relationships with client firms and key partners in its target sectors and municipalities. Trust and confidence are requisites to asking for help, sharing critical information, and altering business practices. Local ownership and participation is a key principle to Rritje Albania's strategy to help ensure project activities have a sustainable and positive impact on Albania's private sector.

### *Leveraged resources and prioritized interventions*

While Rritje Albania's funding is considerable, its mandate to provide a full-range of technical assistance to improve competitiveness at the firm and industry levels of non-agriculture businesses throughout the country is large. In many cases, solutions to identified constraints may be beyond the financial means of individual clients or the project. Therefore, Rritje Albania's resources must be applied prudently, cost-shared by beneficiaries and leveraged wherever possible to maximize return. One of the opportunities to have impact with limited resources is to capitalize on synergies available by coordinating activities with other donor-funded, private and public sector initiatives.

Besides stretching resources, big problems can often be tackled by many that could not otherwise have been taken on alone.

*Attentive to results and implementation process*

In addition to managing for results using its performance-based monitoring plan (P-BMP), Rritje Albania is attentive to the *process* of project management. The project staff is cognizant of project implementation best-practices, as well as the various metrics used to evaluate contractor performance.

In the work planning session held in January to formulate the year two work plan, all staff was familiarized with USAID's Data Quality Assessment (DQA) and Contractor Performance Review (CPR) evaluation, as well as Chemonics' Assess, Innovate, Measure, Share (AIMS) tool for measuring project excellence and Chemonics' desk audit review of field office administration and accounting practices. In addition to quarterly performance reviews, weekly consultations between the project and USAID/Albania help to ensure project activities are aligned with the goals, objectives and implementation targets. Rritje Albania believes that paying attention to not only what is achieved but how it is achieved will lead to superior results and satisfied clients.

## **C. ADMINISTRATION**

Project administration consists of both field office operations and Chemonics home office support. Over the first year a significant amount of effort was applied to create a solid base that can support increasing levels of technical assistance contracting and service delivery. Areas of administration focus in year one related to staffing, leases, procurements, operating procedures, grants manual development and training, and reporting.

### **C1. Personnel**

Over the first three months of the project, Chemonics long-term team, as well as several short-term specialists from its head office, mobilized to Tirana to initiate project operations and hire local staff. Between April 13 and June 10, the local support staff and all but one key personnel, the Trade and Investment Advisor, were hired. The Trade and Investment Advisor proposed originally withdrew and a short-term local consultant was found until a suitable long-term replacement began work on September 9.

In January the Workforce Development Advisor, a two-year key personnel expatriate position, announced that due to the health of a family member, she would be leaving the project at the end of her first year. This unfortunate development impacted the selection of the long-term local workforce development specialist who was to start in year two and who the Advisor was to mentor in the second year of her assignment. At the time of this report, discussions are underway with USAID to revise the project's management plan in order to best meet the project's current and anticipated needs.

### **C2. Leases, Procurement and Contracts**

Within the first three months of contract signature a suitable office space was identified and equipped. In September the project purchased two new vehicles, in addition to another vehicle that was transferred from a recently closed USAID project. Three leases for living quarters were signed, two of which were closed-out for the first COP who was repatriated and the Workforce Development Advisor who intends to leave the end of April.

In July-September 2009, the Rritje Albania team developed, issued and completed a Request for Pre-Qualification (RFPQ) process to pre-select local business service providers (BSPs) that could be partners in delivering assistance to client enterprises. These businesses and organizations have been and will be subcontracted to develop and deliver technical assistance and training to firms, as well as to address the binding constraints preventing those firms from increasing sales and producing jobs. An initial

list of 22 pre-qualified BSPs was selected in the first round of the RFPQ. The list will be updated every twelve (12) months for competitive purposes and to ensure that new organizations can be added to the list.

Four technical assistance subcontracts to local non-profit business service providers were issued and three short-term technical assistance consultants were hired locally. In addition to this, the PMU and field office combined to hire five expat short-term technical experts whose work is described below.

### **C3. Other Administration Activities**

The first year work plan was approved in August 2009 and the second year work plan was awaiting final approval at the time of this report. In October, the project's grants manual was approved by USAID and a home office grants specialist led a two-week training for the field office in February. At about the same time in February, the home office field accountant conducted a standard first-year field accounting and administration audit and concluded: "The project closely adheres to Chemonics' field accounting policies and best practices, and has developed some specific tools and practices that are models for other projects."

## **D. TECHNICAL ACTIVITIES**

Over the first year of implementation, Rritje Albania's technical specialists worked hand-in-hand with international STTA experts and assisted firms and enterprises to implement the recommendations that were made. This is important to note when evaluating the level of technical assistance mobilized by the project for the benefit of clients. The technical staff includes two Business Advisors, a Trade and Investment Advisor, a Workforce Development Advisor, a Tourism Specialist, a Monitoring, Evaluation and Communication Officer and backstopping by the Chief of Party.

### **D1. Industry Sectors and Municipalities Identified**

During the proposal process, Chemonics identified initial municipalities to support through project activities, five that are supported by USAID's Local Governance Program in Albania (LGPA): Shkoder, Kukes, Fier, Korce, and Pogradec, and five non-LGPA municipalities (Vlore, Tirana, Elbasan, Durres, Gjirokaster). The reason for this split was to observe whether the presence or absence of LGPA activities in a municipality receiving assistance from Rritje Albania would show any differences in the competitiveness of businesses as measured by increased jobs and sales.

In addition to the initial target 10 municipalities, in the second half of year one, 14 clients were visited in four other municipalities: Berat, Kruja, Lac and Saranda. Of these 15 clients, Rritje Albania provided direct and indirect assistance to five of them. The company in Lezha produces dies and moulds for footwear companies and while not a direct client of the project will link with Rritje Albania footwear clients and reduce the time it takes to produce sample models by offering footwear dies that clients otherwise obtain in Italy.

Also during the proposal process, a short-list of five key industries was proposed after examining several characteristics, including:

- Contribution to Albania's Gross Domestic Product (GDP);
- Employment levels and potential for generating incremental employment;
- Potential for employment and self-employment for women and other marginalized populations;
- The historical growth and potential for additional growth in the future; and
- The prospect of increased productivity as a result of project interventions and opportunities for increased domestic and global market linkages.

In the first eight weeks of the project, 69 firms in the 10 priority municipalities underwent rapid appraisal interviews conducted by staff members. Rritje Albania designed a template for these qualitative interviews to analyze and evaluate the firm's key problems and determine whether the business met a set of criteria that would qualify them as a project client. The findings of these 69 rapid appraisal interviews were analyzed in the first quarter to review the five proposed industries and validate their selection. Starting with a desk review of reports and studies from technical experts and partners in each sector, the team analyzed the primary strengths, weaknesses, opportunities and threats in

each industry (SWOT), keeping in mind their effect on the industry's competitiveness. A conclusion was reached that the five industries indeed met the criteria that were set. The qualified industries were:

1. Garment and apparel <sup>1</sup>
2. Footwear
3. Tourism
4. ICT and
5. Recycling

Brief summaries of industry-specific analyses follow in this report, while the complete profiles including the SWOT analysis for each sector are included in the year one work plan and were updated in the work plan for year two. A sixth sector, food processing, surfaced in recent months as having significant growth potential. Rritje Albania initiated discussions with USAID and the Albania Agriculture Competitiveness (AAC) program to explore adding this sector to its list of focus industries. It is anticipated that selected food processing businesses not directly supported by AAC will be added to Rritje Albania's client list in year two.

## **D2. Rritje Albania Introduced to Clients and Stakeholders**

In the first six months of the project, staff canvassed the ten target municipalities and met, usually in one-on-one meetings, with multiple stakeholder groups that included: local chambers of commerce, regional development agencies, government officials, vocational training and higher education institutions, business associations, donors and donor projects, SMEs and others as *Figure 1* shows. The purpose of the meetings was to introduce the project to stakeholders, explain its goals and objectives and describe how businesses could access project technical assistance. The visits also provided opportunities to explore synergies and update findings from the country-level desk review and industry-specific reports and studies.

It may be noted that while all municipalities were initially visited, not all were visited as intensively as others. This was principally due to the relative absence in some communities of a critical mass of businesses working in the five target industries. For example, in the municipality of Kukes, three of the five businesses appraised were in the extractive industries and its tourism sector, which Rritje Albania expects to support, basically closes in the off-season. In addition, the delayed opening of the tunnel to Kukes and harsh winter driving conditions meant that regular visits there were put off until the first quarter of year two. Several businesses appraised in the two other low-activity municipalities: Elbasan and Pogradec, were not pursued as potential project clients due to not meeting one or several of the criteria laid out in the box on page 12.

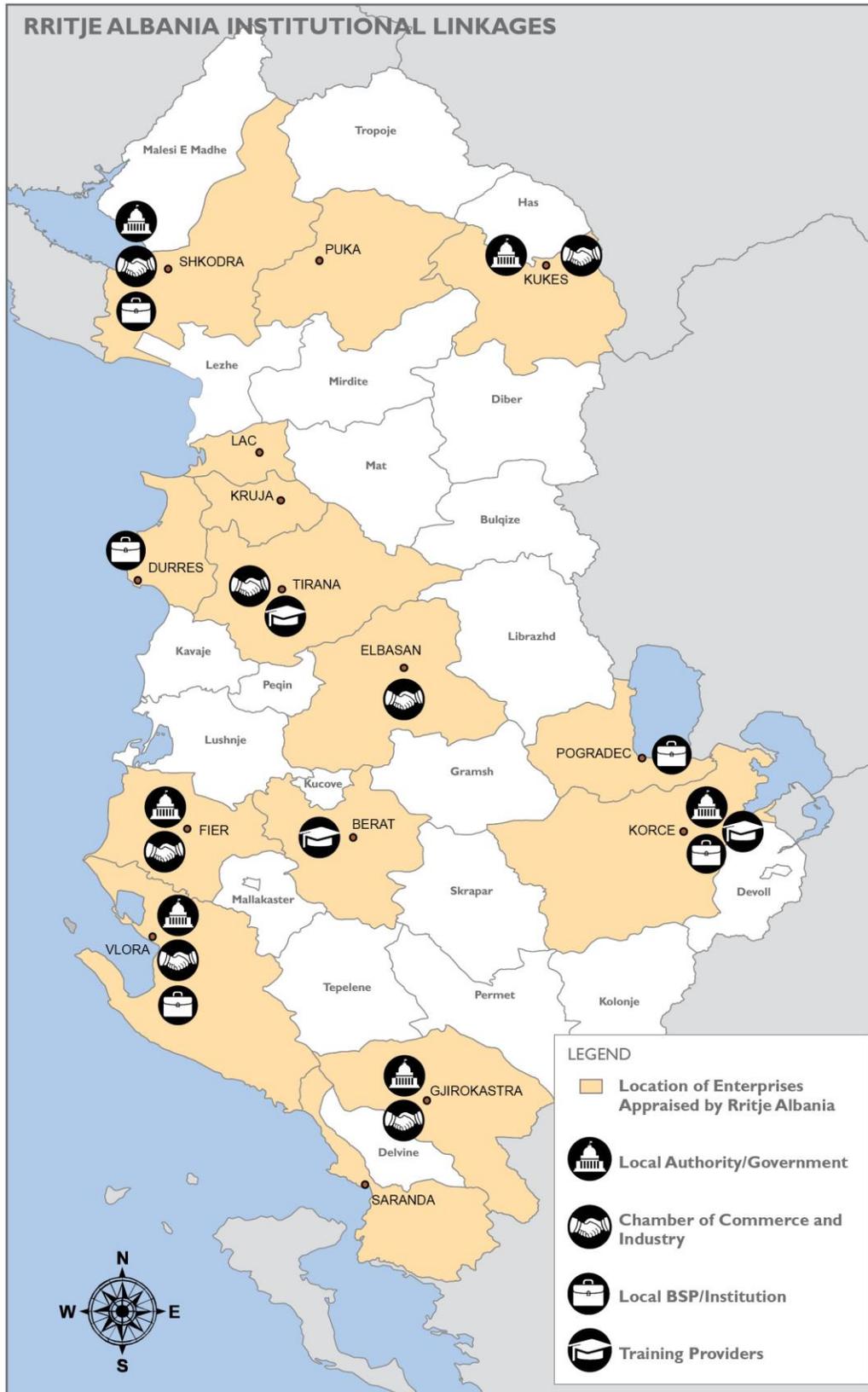
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<sup>1</sup> While Rritje Albania's technical proposal and year one work plan referred to the Textiles Industry, STTA during the first year of implementation clarified that the technical term in use for the sector Rritje Albania targets is the garment and/or apparel industry. The rest of Rritje Albania project documents reflect this understanding.

However, in the last three months of year one, staff picked-up the pace of visits to Elbasan, Vlora and Pogradec and they also responded to new inquiries for project support from firms in the additional municipalities of Saranda, Berat, Lac and Kruje. As the project moves into year two, this trend of expansion to other municipalities and the addition of new SMEs identified in the original 10 municipalities are expected to continue and quicken.

In November, Rritje Albania joined with the Italian-Albanian SME Development Program (IASMEDP) and the Regional Development Agency Network (RDA) to appear at four roundtable meetings in Shkoder, Fier, Korce, and Durres. These roundtables engaged leaders of the business community, local government, chambers of commerce and industry and managers of enterprises to discuss opportunities to access financing through the IASMEDP as well as introduce Rritje Albania as a source of SME technical assistance. Although falling short of the 10 roundtables described in the year one work plan, Rritje Albania has planned five new roundtables in April and one in May in the cities of Vlora, Elbasan, Gjirokaster, Pogradec, Kukes and Tirana. Advertisements announcing this series of roundtables will appear in newspapers in the weeks leading up to the events. A contract with the RDA of Tirana was signed to help mobilize high-level stakeholders to participate in these events and manage the local logistics.

**Figure 1 – Map of Linkages Established by Rritje Albania in Municipalities**



### D3. Clients Profiled and CGPs Signed

Of the 69 firms interviewed in the first eight weeks of the project, 39 appeared to meet the conditions for project support described in the adjacent text box. For these 39, further interviews were conducted to capture additional information including the owner's self-assessment of problems he or she would like the project to help solve. While 29 of these 39 enterprises were in the five target industries chosen by Rritje Albania for year one implementation, only 15 of them fit the ideal enterprise profile. The successful client/project discussions were codified first in a Client Profile and then a Client Growth Plan (CGP) document that laid out the roles and responsibilities of both parties and committed the client to report monthly sales and jobs figures to Rritje Albania over the life of the project.

#### Ideal Albanian Client Enterprise Profile

- Albanian majority owned and managed
- Interested in receiving Rritje Albania assistance
- Willing to reform their business practices
- One of the project's priority industries
- Willing to pass on lessons learned to other firms
- Run by progressive management
- Potentially capable of expansion
- Respected members of their communities
- Willing to invest in developing human resources
- Willing and interested to measure the impact of Rritje Albania assistance by sharing information on sales, jobs and productivity.

Of the 39 initial potential project clients, Rritje Albania succeeded in collecting and signing client growth plans with 8 of the 29 enterprises. To make up for those SMEs who dropped out after initial visits by the project, Rritje Albania worked with local authorities, business associations and others to identify other potential businesses to contact. The result was that by March 31, 2010, Rritje Albania advisors visited and conducted initial appraisals of a total 133 businesses in 14 municipalities, as shown in **Table 1** on the following page.

**Table 1 – Enterprises Appraised in Year One by Industry and Municipality**

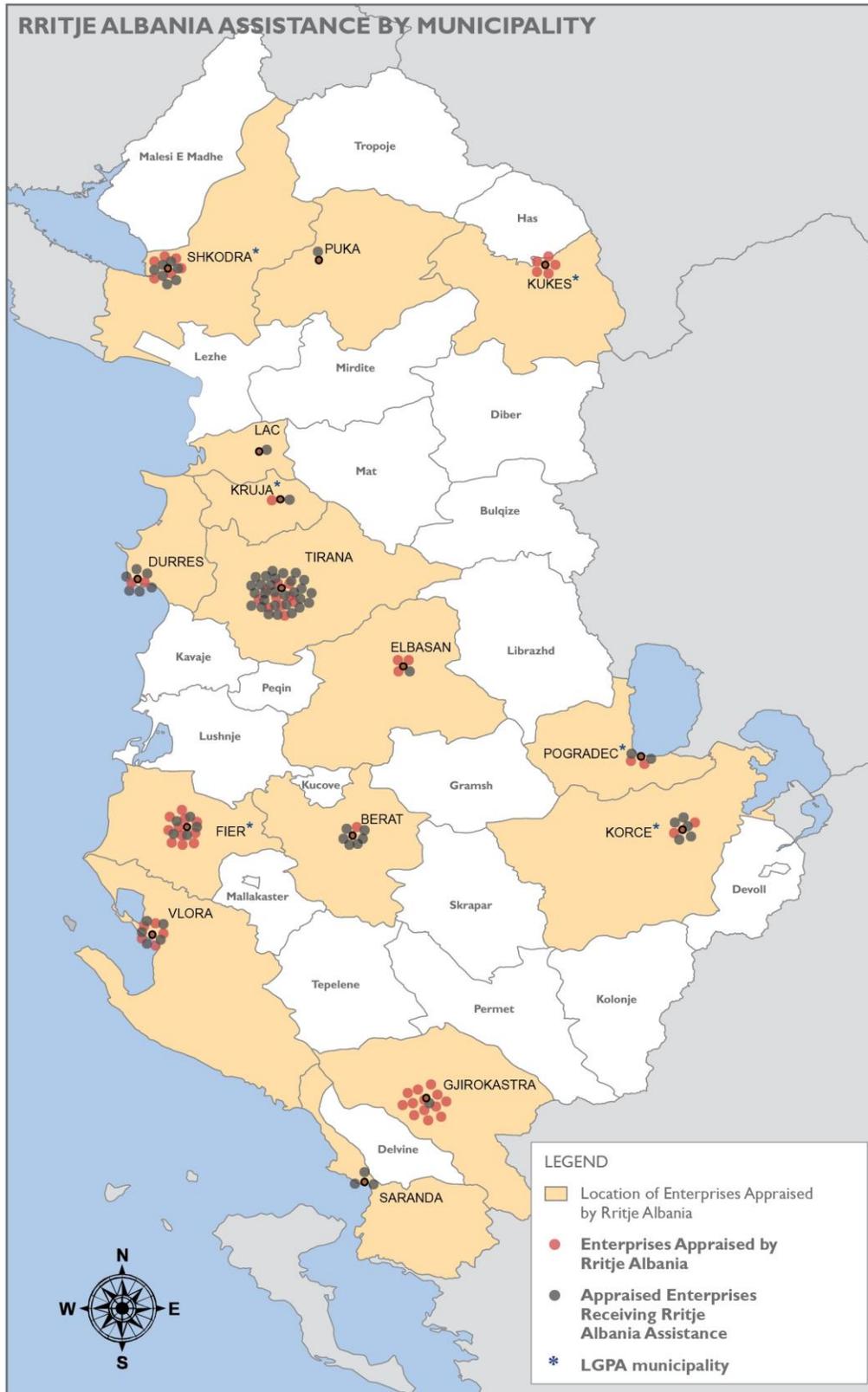
	Footwear	Garment	Tourism	ICT	Recycling	Paper Packaging	Wood Processing	Other	Totals
Berat	1	2	3	0	0	1	0	0	7
Durres	0	3	2	0	2	0	0	1	8
Elbasan	0	1	0	0	1	0	1	1	4
Fier	4	3	2	0	0	0	1	6	16
Gjirokastra	1	1	5	0	1	0	2	4	14
Korca	2	3	2	0	0	0	0	0	7
Kruja	1	1	0	0	0	0	0	0	2
Kukes	0	0	0	0	0	0	1	4	5
Lac	1	0	0	0	0	0	0	0	1
Pogradec	0	0	3	0	0	0	1	0	4
Puka	0	0	1	0	0	0	0	0	1
Shkodra	2	7	1	0	0	0	1	2	13
Saranda	0	0	3	0	0	0	0	0	3
Tirana	5	11	14	2	1	0	1	4	38
Vlora	1	3	4	0	0	1	1	0	10
<b>Totals</b>	<b>18</b>	<b>35</b>	<b>40</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>9</b>	<b>22</b>	<b>133</b>

To ensure that the project collects sound client qualitative and quantitative information, Rritje Albania designed several M&E tools, including a Baseline Profile for each company, the Client Growth Plan and the Performance Monitoring Tool. While these tools have proven helpful, obtaining accurate client profile baseline data and the owner’s commitment to continue to furnish such information over a period of nearly five years can only take place when a Rritje Albania advisor and client enterprises build a trusting relationship. Naturally, building this relationship took longer than planned and hoped.

The need for such a relationship also derived, in some cases, from the hesitancy to share information on sales and jobs due to the gap between officially reported figures and those that are actually attained by the enterprise. In the process of determining whether the enterprise matched the aforementioned profile criteria, additional challenges concerned the ability, and in some cases willingness, of the owner to accurately assess, prioritize and share with the project’s business advisors their key problems.

For these and other reasons, the signing of CGPs started slowly. The map in *Figure 2* shows the geographic distribution of the 133 appraised companies, highlighting those that have received or are in the process of receiving Rritje Albania support.

**Figure 2 – Map of Enterprises Appraised by Rritje Albania**



**Table 2 – Client Growth Plans Signed by Quarter**

<b>Client Growth Plans Signed as of 31 March 2010</b>				
	<b>Apr-Jun 2009</b>	<b>Jul-Sep 2009</b>	<b>Oct-Dec 2009</b>	<b>Jan-Mar 2010</b>
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>CGPs Signed</b>	2	2	4	15
<b>TOTAL</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>23</b>

The acceleration in the number of clients signing CGPs with Rritje Albania in the last quarter can be traced to a sharpened technical focus on the part of the project and a more clearly articulated strategy for working with the targeted industry

sectors. These two factors were a natural byproduct of the extensive discussions and work planning sessions that the project team engaged in from mid-January to the actual submission of the work plan to USAID at the end of the fourth quarter. Another significant contributing influence was the dramatic increase in short-term technical assistance (STTA) experts mobilized by the project that began arriving in late November and continued each month through the end of the year. As word spread between owners in the garment, footwear and tourist industries visited by these STTA experts, it is likely that other businesses became more open to entering meaningful discussions with the project.

In the course of client and project meetings, a number of problems affecting multiple firms, in the same industry and sometimes across industries, emerged that seemed best solved by the application of multi-client solutions rather than technical assistance delivered to one client at a time. Besides the lower cost per business supported, another key advantage of multi-client solutions includes an increase in the number of businesses that could be reached and assisted at any one time. Examples of multi-client problems and solutions that were identified in year one are listed later in this report.

While long-term clients with signed CGPs comprise the majority of Rritje Albania’s clients assisted in year one, other Albanian enterprises that benefit from project activities are also counted as assisted businesses. For example, firms helped to improve their competitiveness and increase sales and jobs through project-sponsored trainings and business-to-business meetings (B2B) and other multi-client technical assistance delivery mechanisms that qualify to be counted as having been facilitated by U.S. government-funded assistance under the project.

Moving into year two, the project plans to continue working with those firms which were contacted in year one and qualified for project assistance, but with which the development of long-term CGP agreements was not completed for various reasons. As the project implements its plans to roll out multi-client solutions such as the Human Resource toolkit, support for job fairs and internships, Marketing and Publicity toolkit, Access to Finance roundtables and other activities, it is expected that some of these firms will form part of the demand these solutions are designed to meet. For information on the location and numbers of these businesses, please consult the graph below.

## **D4. Activities by Industry Sector**

Rritje Albania is tasked with working with entrepreneurs, investors and other economic actors involved in selected industries and enterprises, not including agriculture-related industries and enterprises that fall within the scope of USAID's AAC program.

Leading firms and individuals that are "early adapters", willing to innovate and invest in their businesses, are sought out and supported by Rritje Albania. By serving as models and spokespersons for the sector, we believe that others will be encouraged to join in the effort to raise industry standards and create a framework for sustainable growth. Likewise, key industry associations with dynamic leadership are supported to deliver multi-client solutions that improve the competitiveness of members. To achieve significant impact, Rritje Albania seeks to support industries that constitute a large percentage of Albania's GDP in order to impact a greater number of businesses that can sustain progress made beyond the life of the project.

The project's approach to building SME competitiveness evolved over the year from a focus on recording the needs self-identified by owners and entering CGPs prior to delivering assistance, to using STTA industry experts to help clients define their needs and then recommend solutions based on their knowledge of world-wide best practices.

This critical paradigm shift led the project to categorize businesses in relation to their relative stage of development in their industries, both nationally and globally, thus making it easier to define multi-client problems and solutions while at the same time being responsive to individual firm requirements. This shift to consider the stage of the industry's development in Albania helped the project to design and articulate its assistance strategy by sector in the year two work plan.

The following section highlights the five industry sectors the project has supported in the past year and describes some of the key technical services delivered. This is followed by a more in-depth presentation of specific effects and results under the project's three major components: trade and investment, productivity and workforce development.

### **D4a. Garment and Apparel**

Exports from Albania's textile and apparel industry account for over 27% of the country's total exports. According to the Institute of Statistics of Albania (INSTAT), the official number of businesses registered in manufacturing industries was 9,247, over 7,800 of which had less than five employees.<sup>2</sup> Using the average number of employees for the registered production businesses, the manufacturing industries employ at least 44,000 persons, the majority of whom are women. Over the past decade many Italian retailers, clothing designers and brokers have taken advantage of the geographic proximity of Albania, the low labor costs of Albanian manufacturers and the fact that

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<sup>2</sup> INSTAT, *Business Register 2008, 2009*, p.19

This business register covers all production/ manufacturing enterprises together, not distinguishing between footwear, garment, textiles and other non-mineral, non-agro-processing production.

many Albanians are fluent in Italian. Despite the above business register figures, the National Chamber of Garment and Footwear Producers reported a paid membership of only 172 enterprises for 2009.

In 2008, world imports of clothing grew by 5%, or US\$17.5 billion—a much lower growth rate than in the previous year when the clothing imports rose by 11%.<sup>3</sup> In 2009, global garment sales plummeted, wholesale buyers cut costs, reduced order sizes to keep inventories low and slowed payments to suppliers. Albanian firms' close proximity to the European market, low labor costs and willingness to accept small orders and payments from 60-180 days after receipt of goods (when 10 days was the standard in the global garment industry), helped firms to stay open. They were also helped by having lower fixed cost overheads due to fully-depreciated machinery and relatively low raw material inventories thanks to running predominately fasson<sup>4</sup> operations. However, going into 2010, many found themselves in extremely risky positions due to disappearing profits, poor pricing practices, inefficient production, over-dependence on too few buyers and weak to non-existent sales/marketing plans.

Rritje Albania's strategy to assist garment companies is to help businesses diversify their buyer base by moving them from being production-driven to market-driven, looking outward for new profitable sales and making the necessary improvements in trade and investment, productivity, and workforce development to improve their core competencies and competitiveness.

By using a development template similar to those employed in other countries and technical assistance provided by Rritje Albania and other donors, Albanian garment producers should be able to shorten the time it takes to build a strongly competitive and dynamic garment industry. Project technical assistance includes both customized one-on-one assistance as well as multi-client solutions with firm-level assistance delivered to dynamic firms wishing to improve and willing to invest the necessary resources.

In November and December Rritje Albania brought two garment experts to provide technical assistance to eight garment manufacturers and two textile sector associations. Both saw much in common between the Albanian garment sector in 2010 and the sector as it was developing in Bulgaria in 1996 and Macedonia and Serbia in 2003. Similarities included: poor marketing and publicity materials (brochures, websites), over-dependence on a few buyers, small production runs, and predominately fasson operations (make-and-trim, little or little cutting capacities).

The first STTA expert, Philip Eddelston, had a 14 day level-of-effort (LOE) and visited five companies (SAM, Meko 98, Stela, Kler, Konf-Tirana), the Chamber of Albanian Fasson Garment Manufacturers, and the Association of Fashion Designers. His principal focus was to work with SAM to evaluate its current line of business and marketing

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<sup>3</sup> Research and Marketing LTD, *World Clothing Trade and Key Emerging Markets*, 2010

<sup>4</sup> Fasson manufacturing is a term used in Albania to describe a business that receives its raw materials for production from its buyers, assembles the pre-cut pieces and sends the finished product to the same buyer. The Albanian manufacturer, in this case, is usually paid on a piecemeal basis.

activities, propose a marketing strategy to increase penetration in the EU market and outline different pricing strategies. The other visits were designed to conduct rapid assessments of the firms and the Albanian garment industry and recommend actions to improve industry-level competitiveness.

Mr. Eddleston's recommendations to SAM included defining: routes to market access, strategic options and methodologies available. One recommendation was to "actively seek further distributors in non-competitive geographical areas who replicate the existing clientele." Acting on this, SAM narrowed its focus to concentrate on its core business and entered negotiations to forge a strategic partnership with DGE, its French buyer. If successfully concluded as expected, DGE will become SAM's exclusive distributor in the French market.

The second STTA expert, Jeanne Atkinson, contracted through the subcontractor CDS Development Solutions, contributed 25 days of LOE between mid-November and the end of December during which time she provided extensive assistance to five firms (Melgushi, Ambra, NPV Korca and MEKO 98) and met with the Albanian Fassion Garment Manufacturers. Her principal focus was to review company operations, evaluate marketing plans, link firms with EU buyers and draw up strategic plans for the next 6 months, 6-12 months, and 12-18 months. Following the assignment, recommendations and summary reports from the industry expert were first translated where necessary and then shared and discussed with the management of each enterprise. The purpose of these coaching sessions was to discuss the feasibility, timeline and concrete actions to be taken to ensure the recommendations are implemented.

Monitoring visits to the firms show they have begun to act on the recommendations. For example one firm bought an advanced technology CAD/CAM plotter to establish vertically integrated cutting capacities and another has obtained access to a different CAD/CAM plotter. One of the firms assisted by Ms. Atkinson in November 2009, Ambra in Durres, has since developed its own brand with a new Italian partner. Ambra management also has put plans in place to sell directly to clients in Italy. Moreover, support was provided to assisted firms in the development of improved brochures and use of web sites for researching buyers and obtaining marketing information.

Late in the year, Ms. Atkinson received approval to return for a 45-day assignment beginning in March and running through mid-September 2010. This assignment is being contracted through subcontractor dTS. The main focus of the assignment is to identify an "elite 6 – 8 firms" with high potential and drive willing to commit resources to become leaders in Albania's garment industry. Assistance will initially consist of help to develop marketing and publicity materials, training for trade fairs, facilitation of seller-buyer contacts and networking, instruction in the use of transaction contracts, and assessment and recommendations for changes to improve efficiencies and productivity.

As the first project year closed, an "Elite 7" group of firms had been identified and profiled and steps were underway to design and develop company web sites and marketing materials with Rritje Albania assistance. In addition, USAID approval was

given in March to bring out a garment sector productivity STTA expert at the end of April to work closely with three to four clients, most of which are companies identified by Ms. Atkinson during her most recent trip.

#### **D4b. Footwear**

According to the Albania 2009 Trade Report published in April by the Albanian Center for Competitiveness and International Trade (ACIT), Albanian's footwear sector accounts for around 19.4% of exports. Recent information shared by footwear expert James Parchman and ACIT concur that, in total, there are about 40 footwear production companies in operation. Taking into account the use of hand-stitched footwear outsourced by manufacturers to women working at home, total employment in the sector is conservatively estimated to be around 10,000 workers – 90% of whom are women.

Italy, Greece and Germany are the dominant inward processing trade<sup>5</sup> partners of Albanian products, accounting for, respectively, 82.1%, 7.6% and 4.1% of total inward processing. During the global recession of 2009, the footwear inward processing trade experienced a growth in absolute value by 5.5%, following the decrease due to the crisis in 2008. While garment production is spread across Europe, footwear is by far the strongest in Italy, with limited participation of the German and US markets.

As with garment manufacturers, Albania's low cost labor, close proximity to markets and willingness to accept small production orders with low margins have kept footwear plants operating but at very low profitability levels.

In February 2010 Rritje Albania brought in James Parchman, an international expert with a wealth of experience in the European leather and footwear market, including multiple assignments in Albania, to provide STTA to several large footwear companies. Mr. Parchman's LOE was 24 days in February. Since his last visit to Albania in 2006, Mr. Parchman reported that several footwear companies have either started or expanded operations, even during a severe economic crisis, which he attributed to the entrepreneurial characteristics of their owners. However several large and established businesses that Mr. Parchman had known previously, with managers focused on production and not market, saw a contraction in their business.

On the whole, companies visited by Mr. Parchman on his assignment for Rritje Albania presented a more professional image than what he observed during his previous trips to Albania in 2006. This professional image was exhibited through the use of such sales and marketing tools as business cards, brochures, email, VoIP communications, web sites and printed or online catalogs. However, although firms may have a few of these marketing tools at their disposal, they are not as effectively used as they could be. In short, there is an absence of any serious attempt to develop marketing and sales departments. Other weaknesses observed included production inefficiencies and over-reliance on a few buyers.

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<sup>5</sup> According to the ACIT Albania 2009 Trade Report, the inward processing exports in 2009 were made up of garment and related articles (42.9%) and footwear (30.7%).

Mr. Parchman advised firms in the short term to continue to place emphasis on interactions with current and new Italian buyers, but also work to identify new markets. Firms were also coached to develop communication skills, contacts, and the knowledge portion of the business, such as upgraded technologies, improved business skills, implementation of quality standards and productivity enhancements. Gains in these areas will allow firms to improve profit margins and capture clients elsewhere, mainly in Europe. To help reduce costs, firms were encouraged to look elsewhere for inputs such as leather and leather cutting dies. In this regard, Mr. Parchman introduced several Albanian firms to new sources of leather in Pakistan. He also introduced them to a recent start-up supplier of leather dies in Laç that may be an option to replace Italian-produced dies at a substantial cost saving.

Other activities attributed to this STTA are described elsewhere in this report. However, it should be noted that Mr. Parchman's prior experience in Albania coupled with his solid knowledge of the footwear industry proved invaluable in helping shape the development of Rritje Albania's strategy for its assistance to Albania's footwear sector that has been articulated in the project's year two work plan.

#### **D4c. Tourism**

The Government of Albania and several donor projects are currently working to remove the structural and infrastructure impediments to the development of tourism in Albania. The growth of the Tourism sector has consistently increased over the past five years from a 16.9% annual growth rate in 2004 to a 40% annual growth in 2008. Tourism accounts for approximately 11% of Albania's GDP and employs over 138,000 people or 6% of the able working population according to data from the World Travel and Tourism Council. In 2008, Albania's tourism and travel industry earned 358 million Euros, accounting for 4.1% of the country's GDP.<sup>6</sup>

Despite these impressive results, the World Economic Forum's (WEF) latest travel and tourism competitiveness index placed Albania 90<sup>th</sup> among 133 countries in the world, behind all other South Eastern European (SEE) nations covered by the report, except Bosnia and Herzegovina (BiH). This highlights both the significant untapped tourism development potential as well as Albania's need to improve its product offerings.

Until now, the primary focus of Albanian tourism development has been on the "sun, sand, and sea" market that has attracted a majority of its visitors from Kosovo and Macedonia. With the expected liberalization of the visa regime in the region, Albania will attract fewer visitors from its Southeast European neighbors as other destinations such as Bulgaria and Turkey offer better products at lower rates. Looking ahead, Albania's best opportunity to sustainably expand tourism is to promote the country's natural and cultural assets, including rural villages, archeological sites, and its people. These product features

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<sup>6</sup> All the above figures are taken from the Albania Travel and Tourism Country Report 2009, prepared by the World Economic Forum, based on data from the World Travel & Tourism Council, TSA Research 2008

can be linked to markets that are less sensitive to seasons, higher spending, and growing more rapidly.

In year one, Rritje Albania fine-tuned its plan to support Albania's tourism sector by meeting with key local and regional tourism sector actors, donor agencies, and foreign tour operators. To achieve the project's goals of increasing jobs and sales, technical activities concentrated on three axes of intervention:

1. Promote Albania as a desirable destination leading to an increase in the number of foreign tourists visiting Albania;
2. Improve the competitiveness and quality of the product offerings, primarily accommodations;
3. Seek and leverage synergies with other stakeholders to improve the competitiveness of Albania's tourism sector.

In August Rritje Albania employed Nevila Popa, a local expert with vast private sector experience working in and supporting Albania's tourism sector. Working under an STTA agreement, Ms. Popa helped the project develop its tourism strategy as well as support its tourism sector activities in the second and third quarters. Among these activities was the project's co-sponsorship of a National Real Estate and Tourism Conference, B2B meetings and a five-day FAM Tour for foreign tour operators. Based on the overall success of these activities a strategic decision was reached to extend Ms. Popa's contract through September 2011 in order to cover two full seasons of Albania's tourism cycle. More details on these activities as well as others led by Ms. Popa in year one are described in the sections D6 and D7 of this report.

In December 2009 Rritje Albania called the first meeting of a tourism stakeholder group to bring together other donors and projects in order to pool and coordinate their efforts to assist in the achievement of common goals. Participants including the ATA, GTZ, SNV, USAID, UNDP, UNESCO and others agreed such meetings were valuable and agreed to continue them on a quarterly basis.

In addition to the CGPs signed with four local tour companies, Rritje Albania signed 3 CGPs with key hotels in major tourist destinations and delivered firm-level assistance to build competitive and profitable businesses as explained below. Detailed accounts of activities with Grand Hotel in Korca can be found in section D8 as the focus of implementation there was to design and pilot the hospitality and customer service toolkit in partnership with the local training provider, TABITA.

In January, Rritje Albania contracted a STTA tourism expert, Susan Snelson, as a volunteer through CDS, for a 21-day assignment. One purpose of her assignment was to assess and provide technical assistance to two hotels, the Hotel Fieri and Hotel Cajupi. Using the Quality Mark system as a guide, Ms. Snelson evaluated the hotels, developed organizational charts and job descriptions, outlined quality control measures and management tools, reviewed and recommended sales and marketing strategies and

quality control measures to improve service delivery and conducted on-the-job training. She also evaluated hotels nearby to identify and clarify the market niche for Hotel Cajupi and Hotel Fieri. Following her assignment, feedback from both hotels has been very positive and much of the advice is being implemented. For example, Hotel Cajupi is now listed on an online reservation site, it is designing a new brochure and website, various management tools are now in use and its main lobby is redecorated as suggested. Continuous monitoring visits by the project will help to capture improvements made as well as identify future assistance needs.

In Tirana Ms. Snelson met with local tour operators, the Albania Tourism Agency (ATA) and the National Tourism Agency (NTA) to learn about the organizations and make suggestions to better serve clients and improve performance. Her insights on the necessary improvements for Albanian tourism operators were incorporated into Rritje Albania year two work plan.

#### **D4d. Information and Communications Technology (ICT)**

The International Telecommunication Union (ITU), of which Albania is a member, estimates that in 2007 there were 471,000 internet users in Albania. At 15% (total population in 2007 est. 3,087,159), internet penetration in Albania is lower compared to coverage in other European countries. Only 1.1% of those on the internet in Albania are broadband users and the slow absorption of new technology at the firm level ranks Albania 100 of 133 countries surveyed. In the area of business sophistication Albania scores 109 out of 133 and in innovation, 126th. Innovation is hindered by low levels of collaboration in research and development between businesses and universities; the Executive Opinion Survey conducted by the World Economic Forum ranked Albania last (133rd of 133 countries) in this competitiveness factor.

The cost of labor in the ICT industry is up to five times lower in the Western Balkan economies than in Hungary or Poland. In addition, proximity to EU and other regional markets makes the Western Balkans a prime location for companies interested in outsourcing some of their operations. For back office services and call centers, language capabilities are strong across the region, especially English, German, and Italian.

Despite these challenges, there is significant potential for SMEs to use ICT as an engine for growth. ICT tools can help enterprises to increase market penetration, enhance productivity and develop a competitive workforce in the sectors on which Rritje Albania is focused. ICT is both a stand-alone sector as well as a cross-cutting enabling technology for other industries, such as the use of CAD/CAM machinery in the garment sector, online booking for hotels and tour operators, as well as the establishment and management of industry and company websites for garment and footwear.

In the context of supporting ICT companies to better provide these services to Albanian enterprises, Rritje Albania's Trade and Investment Advisor conducted interviews and initial business needs appraisals of ICT industry leaders. The findings were later shared

with the Regional Competitiveness Initiative (RCI) in answer to the Albania country survey.

In addition to assisting in the RCI survey, the Rritje Albania team reviewed the findings of a Bulgarian firm, ESI Bulgaria (<http://www.esicenter.bg/>), which had also studied the Albanian ICT market focusing on ICT sector development and its potential for regional ICT cooperation through software process improvement and quality. The SWOT analysis developed by ESI in their report identified the following main features of Albania's ICT sector:

- While Albanian ICT companies are aware of the need to continuously train and re-educate their workforce with the latest techniques and methodologies, only a small amount of resources are set aside for this.
- The existing ICT association (AITA) should increase its collaboration with state ministries, agencies and organizations. The existing associations and clusters are not fully capable of promoting collaboration and participation in different events and campaigns.
- Albanian ICT companies have key knowledge of emerging markets in the Balkans.
- Lack of a usable detailed database of Albanian ICT companies.
- Most information, websites and materials are only available in Albanian.
- Lack of quality certification and development methodologies.
- High potential for clustering in the region and exploring the EU market.
- Lack of marketing and project management skills.

The ESI report summarized current donor programs working on the ICT sector, including USAID's Millennium Challenge and GTZ. In February 2010, Rritje Albania joined the GTZ workshop to finalize an action plan for the ICT sector in Albania over the following 14 months. The four components of the GTZ project for the ICT sector included:

- (i) Promotion of an Albanian ICT Cluster for joint marketing and tangible benefits following the example of neighboring countries such as Bulgaria and Serbia;
- (ii) Export promotion focusing on the German market by attending B2B meetings and trade fairs as the Albanian ICT cluster;
- (iii) Training through a proposed Cluster Academy;
- (iv) Domestic market development through tourism, textiles enterprises and Multi-National Corporations in Albania that need ICT solutions;

In February, Rritje Albania joined the GTZ planning meeting on ICT initiatives in Albania in order to look at synergies that could be exploited to support Albania's ICT companies as well as in the use of ICT as an assistance component for other target sectors such as tourism, garments and footwear. In addition, Rritje Albania is exploring synergies and possible joint programs with the USAID Regional Competitiveness Initiative (RCI). One such activity were B2B meetings organized by RCI in Skopje, Macedonia in early April, 2010. Rritje Albania contacted firms directly and worked through GTZ and AITA to market this event to Albanian ITC firms. Despite these efforts, participants from

Albania were few as most of those contacted did not see opportunities in the regional market. According to RCI, this sentiment is based less on a serious examination of market potential than inertia.

In a recent development related to ICT, in March Ms. Atkinson conducted an initial mapping of garment manufacturers CAD/CAM capabilities in locations where firms cluster, such as Shkodra, Durres and Tirana. Moving ahead, Rritje Albania will explore opportunities to support the expanded use of ICT products needed by its other target industries.

#### **D4e. Recycling Sector**

The most recent industry-wide study on the Albanian recycling sector is the 2006 assessment from the International Finance Corporation (IFC-PEPSE). Albania has long had difficulty processing its solid waste, and large amounts of recyclable plastic, paper, and cardboard are thrown away each year. If it were possible to expand the recycling industry in Albania, it could both improve the environment and increase employment of minorities who are overly represented in the trash collection and street-level recycling operations. An assessment made by IFC-PEPSE in 2006 quantified the relative composition of the Municipality Solid Waste in Albania (See table below).

*Table 3: Estimates of Annual Solid Waste Production in Albania*

	<b>Population of Albania</b>	<b>Urban Population</b>	<b>Solid Waste</b>	<b>Metallic Scrap</b>	<b>Paper &amp; Carton</b>	<b>Plastic</b>	<b>Glass</b>
<b>TOTAL (ton/year)</b>	3,069,275	1,293,838	388,152	27,171	66,781	40,756	17,467
<b>Sector Share (%)</b>	100%	42%	100%	7%	17%	10.50%	4.50%

Rritje Albania has signed Client Growth Plans with two large recyclers, Everest, a producer and recycler of plastic film and Edipack, a corrugated paper manufacturer and recycler of paper products. Everest was the first company signed to a CGP on June 16, 2009; Edipack was signed on October 2, 2009.

Both companies have the capacity and desire to process many more tons of recycled materials but are restrained by inadequate supply. Everest received project assistance in the 2<sup>nd</sup> quarter of year one to hire and train a sales force on sales and marketing skills in order to implement a new marketing strategy to increase penetration of the domestic market. It also participated in dialogue initiated by Rritje Albania and facilitated by the LGPA project to purchase sorted plastic waste in Korca as part of the municipality's efforts to reduce litter in the city. At the close of the year, discussions were taking place between Rritje Albania and Everest to help it expand its plastic waste collection model to several new cities in Albania over the coming year.

For its part, Edipack has expanded its supply of corrugated boxes to the AAC project clients and has asked Rritje Albania for assistance in acquiring food-grade packaging

certification. In addition, the project is brokering discussions between Edipack and two Albanian footwear companies that currently purchase their corrugated cartons from Italian companies. If certain issues, such as VAT reimbursement for internally purchased packaging and quality of products involving the strength of the paperboard can be solved, this would open up significant new markets for Edipack in Albania.

## D5. Activities by Project Components

The following three sections highlight the activities and results from year one implementation according to the three project components (project intermediate results – PIR):

1. Trade and Investment;
2. Productivity;
3. Workforce Development.

Driven to deliver solutions at the enterprise-level that respond to market demand, Rritje Albania's initiatives and results cut across several project components and contributed to several key result areas described below. Some of the mechanisms used to deliver technical assistance to clients and industries in year one included:

- Firm-level local and expat STTA for 15 companies;
- Five subcontracts issued to four local organizations for industry studies, training material development and roundtable meetings;
- Co-sponsoring events with other projects;
- Rritje Albania's Business Advisors helping SME clients to implement the recommendations of STTA experts at the companies they visited as well as to other clients having the same needs;
- Rritje Albania's Trade and Investment Advisor mentoring and coaching management and staff at two client firms;
- Rritje Albania's Workforce Development Advisor developing and piloting Human Resource Management toolkits with two enterprises through a subcontract with a local NGO;
- Rritje Albania's Tourism Specialist leading the design and implementation of a FAM Tour in 2009, where 12 hotels and seven Albanian tour operators were promoted to foreign tour operators.

Besides a summary of activities for the year, a paragraph at the end of each component highlights the activities and outputs for the last quarter of year one implementation. An obvious trend observed is the large increase in technical activities undertaken as the year progressed, especially in the fourth quarter. This trend will continue to be seen in year two and beyond as the volume and variety of technical activities increases and the number of assisted firms grows.

The multiplier effect of Rritje Albania technical staff working with client businesses to follow-up on expatriate and local STTA experts' recommendations will help build firm capacities and competitiveness. The impact and results of applying these recommendations will continue to be measured in year two of the project. In addition, the project will look for and deliver multi-client solutions by industries in order to benefit from the economies of scale on STTA as well as to improve the knowledge transfer among larger numbers of peers in the same industry.

## **D6. Trade and Investment Capacity Improved (PIR1)**

In its initial and follow-up meetings with owners to qualitatively and quantitatively assess Albanian businesses, Rritje Albania's technical staff identified numerous technical assistance needs that fall under the project's Trade and Investment component. These demand-driven needs were later validated and refined by industry-specific STTA experts who visited the project's clients, assessed their needs and drafted written recommendations for the firms to consider implementing. Specific details on the activities undertaken, recommendations made and results seen over year one of project implementation are found below.

### **D6a. Trade Fair and B2B Preparation and Participation**

A large number of the Albanian garment and footwear manufacturers were established as extensions of Italian companies and focused on fasson production and partially-made goods as opposed to full-cycle production and sales businesses. Not only did this lead to a stunted development of firm-level capacities, it also contributed to an over-dependency on a small number of buyers and a weak market knowledge and strategic planning.

Appraisals by the Trade and Investment Advisor and STTA experts mobilized by Rritje Albania in year one indicated that the main avenues utilized by Albanian businesses wanting to retain and expand their market access in the garment and footwear sectors have been to:

- Identify and employ Italian and foreign-based sales agents;
- Attend trade fairs either as exhibitors or visitors with support by other donor projects (e.g. GTZ for access to the German market); and
- Enter joint ventures or partnerships facilitated initially by expat STTA.

In general, the project observed that those few Albanian business owners who attend trade fairs tend to visit the same ones and do so as visitors, not exhibitors. A few companies such as Donianna, SAM, Alba, and Everest IE that have actually exhibited at trade fairs have received support from foreign partners to link up with buyers. Most enterprises do not attend trade fairs in a strategic way that includes appropriate trade fair selection, preparation and follow-up. The same shortcoming was observed with regards to participation in B2B meetings.

In order to address this binding constraint, Rritje Albania undertook the following steps to develop activities that are meant to push businesses to conduct self-assessments of their firms to determine their strengths and weaknesses that begins to solve these problems.

*Enhancing Tourism Trade and Investment* – In October 2009, the project cooperated with the Foreign Investors Association of Albania (FIAA) to design and implement the *Conference and Exhibition on Tourism and Real Estate*. Rritje Albania rented an exhibit

space and prepared publicity materials to explain the goals of the project and its areas of activity. The exhibit was visited by more than 350 conference participants and 55 B2B meetings were facilitated by the project.

The project's five-day FAM tour 2009 followed the conference. Nine operators from Austria, Switzerland, the United Kingdom and Greece traveled at their own expense to Albania to attend the fair, participate in B2Bs, and take part in the activity. The FAM tour traveled throughout central and southern Albania and showcased a sampling of Albania's best hotels, restaurants, cultural and other tourist attractions. Initial feedback shows evidence of very positive results. For example, one Austrian operator, Columbus Reisen, successfully persuaded journalists to write an article on Albania in the Spring of 2010. The article will appear in the travel report section of the Austrian newspaper Kurier<sup>7</sup> and will encourage people to book an Albanian tour through the newspaper and Columbus Reisen.

Additionally, five Albanian hotels have been included for the first time on the web site of Unique Travel, a Swiss tour operator, and included Albania in its 2010 program: <http://www.uniquetravel.ch/d/hotels/?sub=21&cat=68>. Furthermore, the Austrian company, Sab Tours, has included Albania in a regional trip it is promoting for next year. Negotiations initiated at B2B meetings between Sab Tours and Albanian tour operators are continuing.

Perhaps the most significant outcome of the FAM Tour 2009 and B2B meetings was reported by the project client, Sava Tours, an Albanian company that focuses on German-speaking tourists. In addition to receiving reservations for summer 2010 trips established after the B2B meetings, Sava Tours also facilitated a familiarization visit to Albania in March by Kuoni, the world's leading tour operator.<sup>8</sup> Rritje Albania helped Sava to coordinate meetings for the Kuoni representative, a journalist and a photographer for Kuoni's travel magazine, which included a meeting with the Swiss Ambassador and Commercial Officer. The purpose of the trip was to explore Albania as a potential

#### ***Challenges to Increasing Incoming Tourists to Albania***

In addition to Rritje Albania's focus areas, FAM Tour participants shared the following issues that should be addressed in order to improve the quality of Albania as a tourism destination:

- Waste management improvement;
- Online reservation capacity;
- Locally produced, high quality products utilized in hotels, restaurants and available in handicraft markets;
- Availability of high resolution photos of Albanian destinations for inclusion in pamphlets, brochures, and travel catalogues.

destination for inclusion in Kuoni's Balkan country tours. While challenges remain, Rritje Albania and Sava Tours remain hopeful that Albania will be added as a destination.

<sup>7</sup> According to [http://www.waymarking.com/waymarks/WM7PWF\\_Kurier\\_Vienna\\_Austria](http://www.waymarking.com/waymarks/WM7PWF_Kurier_Vienna_Austria), Kurier had a circulation of 260,000 copies in November 2009 and about 620,000 readers.

<sup>8</sup> The Kuoni Group has been named "World's Leading Tour Operator" at the annual World Travel Awards for eleven years in a row. (<http://www.kuoni.com/EN/Kuoni%20Group/Portrait/Pages/default.aspx>)

In March, Rritje Albania participated in the International Trade Fair in Berlin (ITB), along with the Albanian Tourism Association (ATA), and several leading Albanian tour operators, including AlbTours D, Elite Travel, Europa Travel & Tours, Shkodra Travel and Sondor Travel. In preparation for the ITB Rritje Albania designed and prepared promotional materials, supported the Albanian National Tourism Agency (NTA) to finalize the exhibit and worked with Albanian companies to improve their presentation and effectiveness of B2B meetings. Albania Experience and Shkodra Travel were two of the Albanian tour operators that connected with foreign tour operators and gave positive feedback on these meetings.

At ITB Berlin, Rritje Albania launched its FAM Tours 2010 initiative and received over 30 FAM tour requests from European Destination Management Organizations (DMOs), Tour Operators and Travel Agencies. ITB Berlin also represented an opportune time to follow-up with foreign tour operators that participated in the Rritje Albania Fam Tour 2009, including Kuoni Travel, Columbus Reisen, Charitos Travel and Locker Tours.

*Selection of Trade Fairs* – The project researched and developed a database of trade fairs of possible interest to Albanian garment and footwear companies. The database includes trade fairs for: (i) new markets; (ii) new and second-hand technology and equipment; and (iii) raw materials. STTA garment experts Phillip Eddleston and Jeanne Atkinson and footwear expert James Parchman detailed which trade fairs to prioritize for specific clients and for the industry in general. The selected fairs will allow Albanian enterprises to explore and access attractive markets not typically targeted by Albanian companies such as the Scandinavian and Baltic States, U.K. and Spanish markets.

In addition to choosing the appropriate trade fairs to attend, one of Mr. Parchman's recommendations was for Rritje Albania to organize leading footwear producers to represent Albania in these fairs. The presentation of high-quality products by some of Albania's best would enhance Albania's image to potential buyers. Mr. Parchman also recommended the development of an Albanian footwear industry website. In March Rritje Albania issued a request for proposal from local firms to design industry websites for footwear and garments.

*Preparation for Trade Fairs* – In cooperation with STTA experts, Rritje Albania supported specific clients to prepare and attend the following trade fairs in year one:

- Melgushi shpk, a Shkodra garment manufacturer, attended the Milan e-Matching event in November 2009. Rritje Albania revised its promotional materials (brochure and profile) and trained its management to use the online e-matching site to set-up B2B meetings in cooperation with the Italian Albanian SME Development Program;
- Picari, a footwear company in Fier, prepared for and attended the London trade fair in the U.K. in February 2010 and prepared for the Athens trade fair in April 2010. Rritje Albania advised on the selection of fair, materials the company should use to introduce the business and coached management on presentation skills;
- Meko 98, Ambra, Melgushi and NPV International, four garment enterprises, improved their marketing materials (visual and content) based on the

recommendations of garment STTA expert, Jeanne Atkinson. Ambra's owner utilized the materials to successfully present his business at B2B meetings with Italian partners in January-March 2010.

This initial support provided to the project's clients showed that a structured and strategic program is needed to identify, prepare for, attend and follow-up with trade fairs and shows, whether as a visitor or an exhibitor. –The Elite 7” garment companies will be the first beneficiaries of this structured program in the first half of year two implementation. In the footwear industry, the key recommendation of Mr. Parchman was to plan for and support leading companies through the design and set up of an Albania stand at key footwear trade shows.

*Trade Fair and B2B Follow-Up* – Few Albanian firms have a structured approach to follow-up and capitalize on contacts made at trade fairs and B2B. The Trade and Investment Advisor trained and mentored staff at Melgushi shpk and Picari to follow up with contacts established at fairs attended in November 2009 and February 2010. This involved setting up a record system and database of contacts and practice using the internet to search for information and email to maintain communication with potential buyers.

Building on the above experiences, Rritje Albania worked with STTA expert, Jeanne Atkinson to design a structured Trade Fair and B2B participation program for project year two. This program will go hand-in-hand with the development of a Sales and Marketing toolkit, the design for which was started in the last quarter of year one.

## **D6b. Improving Quality and Image of Albanian Products and Services**

One of the key elements to improving trade and investment is to support the establishment of a positive image of Albanian products and services to enhance the marketability and desirability of Albania products to foreign *and* domestic buyers. The project is working to correct such information asymmetries currently constraining domestic, regional and international sales that will on their own lead to increased sales and jobs at Albanian enterprises.

Rritje Albania introduced the Authentic Albania Quality Mark initiative for improving the quality of hospitality products in Albania at the 2<sup>nd</sup> Annual ATA Conference in February 2010. This initiative brings to Albania the USAID-developed and piloted Quality Mark standards program for accommodation facilities which will highlight the uniqueness of Albanian culture, service and products while at the same time work to improve the quality and marketability of Albania's tourism product. In addition to establishing a framework to assess and incentivize establishments to improve their products and services, the Quality Mark program will strengthen the position of the ATA, which will take the lead to implement the program in Albania.

The project has determined that Albanian enterprises wish to obtain certification in international standards in order to satisfy the requests of specific buyers, not to

preemptively acquire them. This behavior was consistent with the recommendation of STTA expert Jeanne Atkinson, who feels that international standards should be driven by the industry-specific needs for quality control of products. Ms. Atkinson shared that compliance standards developed by the U.S. Department of Trade are used as a reference guide to industry standards for traded garment products. Being demand-driven meant that Rritje Albania focused its efforts in year one on identifying quality improvement needs of our clients, rather than pushing the adoption of international standards and regulations.

### **D6c. Investment Capacity and Access to Finance**

Access to affordable and appropriate financial services allows businesses to respond to changing market conditions, make needed capital investments in modern technologies, and fund expansion and operate their businesses with adequate cash flow. Enterprise appraisals during quarters one and two confirmed that while some Albanian companies invest in modern technologies, they do so in an *ad hoc* manner without a detailed net present value analysis and largely self-financed. Few companies systematically keep track of the cash flow, despite the fact that most businesses fail for lack of adequate cash flow and not because of insufficient demand for a firm's product or service.

In order to help alleviate these constraints on Albanian businesses, Rritje Albania implemented the following technical assistance activities in year one: (i) Conducted an in-house Access to Finance study in the fourth quarter and scheduled roundtables to present the findings and possible solutions in the municipalities in which it works in April 2010; and (ii) Initiated a VAT reimbursement study to quantify the effects of delays in VAT reimbursement that was conducted by ACIT between November and March.

Given the high proportion of enterprises reporting difficulties to access financing, Rritje Albania's Trade and Investment Advisor initiated a review of access to financing issues currently challenging Albanian SMEs. A key finding was that most businesses are not aware of the wide variety of financial products and services, especially leasing, that are available. The majority of these companies do not have capable or dedicated staff to collect and use information on available financial products using internet and communication technology tools. The advisor met with representatives from Albania's bank, non-bank institutions and SME loan fund managers and compiled a directory of contacts to help enterprises identify sources of financing. In March 2010, the Rritje Albania advisor supported Mito 2, a footwear company in Berat, in contacting Opportunity Albania to apply for a loan to finance the acquisition of new equipment technology. Rritje Albania is monitoring the outcome of this referral and will assist as needed.

In order to widely disseminate the information in the Access to Finance study as well as publicize the Rritje Albania project, a series of roundtables in five municipalities are being held in April and May 2010. Preparation for this, in addition to contracting the RDA for its assistance, took place in March.

The purpose of the VAT study was to qualify and quantify the impact of delays in VAT reimbursement on business cash flow, investment capacity, employment, and sales. Two hundred and fifty companies participated in the study conducted by subcontractor ACIT between November 2009 and March 2010. Preliminary findings showed that 16% of the companies receive their VAT reimbursement on time, 33% have experienced delays of one to three months, and 34% of the companies have experienced delays exceeding 12 months. Using methodologies explained in detail in the final report prepared by ACIT, these delays translated into an estimated omitted cash flow for 2008 of 18.9 billion ALL (16%) in exports and 1.34 billion ALL (6.1%) in sales. Furthermore, the ACIT research team estimated that the omitted cash flow represents the salaries of more than 450 people who might have been employed had this money been available.<sup>9</sup>

The complete VAT study findings and recommendations will be shared in a stakeholder meeting scheduled for April 2010.

### **Summary of Fourth Quarter Trade and Investment Activities**

- Support to ATA's 2<sup>nd</sup> Annual Conference and pre-launch of the Authentic Albania Quality Mark program.
- Participation in Albania's exhibit at the ITB Berlin and launch of the series of FAM Tours for 2010. Facilitation of B2B meetings and follow-up with FAM Tour 2009 participants.
- STTA garment experts assessed firms and delivered technical assistance.
- STTA footwear expert assessed firms and delivered technical assistance.
- STTA tourism expert assessed hotels and delivered technical assistance.
- Trade and Investment Advisor trained clients' management and staff to prepare for and follow-up on footwear trade fairs.
- Access to Finance study finalized and 6 roundtables designed and planned in cooperation with the Regional Development Agency network.
- VAT reimbursement study conducted with 250 enterprises.
- Funding for the inclusion of Albania in a National Geographic travel magazine Western Balkans Supplement, featuring Albania and five other Balkan countries.

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<sup>9</sup> This foregone employment was calculated based on sample we have an incidence of 2.960 million ALL for unit of employees (*sample Employment for 2008: 7443 employees*). Making a simple calculation we can predict that in case of a non-delay of VAT reimbursement this Omitted Cash Flow could have had expand the employment with at least 453 units for the sample. (ACIT, *A Study on the VAT Reimbursement for Exporters*, March 2010, p. 23)

## **D7. Enterprise Productivity Improved (PIR2)**

In initial and follow-up meetings with owners to qualitatively and quantitatively assess Albanian businesses, Rritje Albania's technical staff identified numerous technical assistance needs that fall under the project's Productivity component. These demand-driven needs were later validated and refined by industry-specific STTA experts who visited the project's clients, assessed their needs and drafted written recommendations for the firms to consider implementing. Specific details on the activities undertaken, recommendations made and results seen over year one of project implementation are found below.

A majority of Albanian enterprises have built their competitive and comparative advantage in the regional and EU markets on low-cost unit production made possible by:

- Lower labor cost and wage levels in Albania;
- Close proximity to end-market destinations for products;
- Raw materials and product development costs borne by buyers in destination markets;
- Standardization and quantity control carried out in destination markets.

In the heightened competition of global markets and drastically reduced sales revenues and profits following the global recession of 2008-2009, there is a critical need to increase productivity as a path to improve the profitability of Albanian enterprises. Although Albania was one of the few countries in Europe with a positive GDP growth of 2.5% in 2008, most of this came from investments in infrastructure and construction. Albanian enterprises need to invest in mid-level staff and adapt efficient production systems if growth is to be sustainable in the long-run.

In the first year of the project, industry experts hired by Rritje Albania to assist garment, footwear, and hotel firms confirmed many of the productivity enhancement needs described by USAID in the project request for proposals. Many of these centered on the need to enhance marketing efficiency, improve production planning and quality control, and undertake production line changes to reduce waste and improve operating times; other deficiencies were noted in record keeping, costing, managerial accounting and finance.

Given the firm-specific way these needs manifest themselves, the project started to tackle these on a case-by-case basis through firm-level consultant visits and personalized recommendations. However, the financial burden to implement the solutions fell and will continue to fall largely on the business when they implement solutions that require hiring more managers or acquiring equipment. Over the first year of implementation, project assistance helped firms improve their Human Resource functions related to recruitment, retention and training of employees. It also helped firms visited by STTA experts to identify equipment needed, discuss the importance of management tools like costing sheets and production schedules and help to design and implement ICT solutions.

In future years, project clients may solve productivity constraints by applying for Rritje Albania innovation and technology grants. Among other things, grants can be used to purchase equipment, computer hardware or software, develop new or improved products or support the cost of training, including the use of hiring production specialists brought in for one to three months to provide hands-on training in the factory. In year one, Rritje Albania finalized its grants manual and received support from the Chemonics Home Office in the form of training and preparation for the launch of the grants scheme in June 2010.

Improvements in productivity covered below are grouped into improvements in technology and those in management.

### **D7a. Adopting Improved Technologies**

During the first year of implementation, through its STTA expert visits, Rritje Albania identified several areas of technological improvement for companies.

Website development – while the majority of companies do not have websites, those who have them experience several challenges to fully utilize them as sales and marketing tools. Examples include:

- Website links are frequently inactive;
- Website content is only available in Albanian or in very poorly translated second or third languages, such as English and Italian;
- Website content is inappropriate, inaccurate, or out of date;
- Enterprises cannot accept inquiries from potential customers/buyers/ business partners through the website. When they do, there is often no one monitoring the site with authority to respond in a timely fashion.

Access to CAD/CAM technology for the manufacturing industries – the rite of passage of a manufacturing enterprise from Make and Trim (MT) Production to Cut-Make-and-Trim (CMT) is a key indicator of improved competitiveness. Doing so requires the acquisition of CAD/CAM technology. Few Albanian companies utilize CAD/CAM technology or have made efforts to acquire it. Also, those who do have it are not always able to utilize it effectively to maximize the quality and quantity of products developed and produced.

Improved use of production lines – given the quick turn-around time needed for production of manufactured goods, Albanian enterprises often receive a large number of orders for small quantities of the same model. In order to maintain profit margins while controlling costs, management should apply rigorous yield control techniques for each production line. Very few (if any) of the enterprises in the garment and footwear industries assessed by industry experts systematically apply sound principles of line management and operations optimization. Specific recommendations to improve this were given by both garment and footwear STTA experts to 11 enterprises. Rritje Albania advisors monitored the implementation of these recommendations in the third and fourth quarters.

## **D7b. Improved Management Practices**

Improvement in management practices and decision-making behavior of Albanian entrepreneurs can be divided into four general areas:

- Strategic planning for business development (including sales and marketing);
- Financial management;
- Generally accepted business management practices: productivity control and cost management; and
- Human resource management (HRM) systems and practices.

Rapid needs assessments and analysis by STTA experts in the second half of the year identified large performance gaps and the need for improvement in all four areas. The following include highlights of year one accomplishments and groundwork laid for year two implementation.

*Strategic planning for business development* – mainly focusing on the area of sales and marketing, the solutions provided in this management practice area were delivered by expatriate STTA to specific enterprises. In some instances, positive results can be seen. Following technical assistance from garment expert, Phillip Eddleston, Sam shpk is pursuing a strategic partnership with its long-time French buyer, DGE. This partnership was encouraged by Mr. Eddleston as a main avenue for rapid sales growth.

Ambra shpk, a garment company visited by STTA Jeanne Atkinson, received a strategic development plan for the next three years. Three months after the visit, the owner had implemented several elements of the strategy, including dedicating more effort to sales, improving his publicity materials, and acquiring a CAD/CAM plotter.

In addition to the above specific examples, Rritje Albania advisors found that none of the enterprises appraised during year one implementation had a marketing department, nor staff dedicated (full-time or part-time) to sales and marketing. The owner or general manager/ administrator of the companies usually acted as the sales manager, while often neglecting this crucial function, to attend to more urgent tasks such as customs clearance, logistics to meet order delivery deadlines, etc. For Albanian enterprises to expand effectively, this function should be integrated within the company's operations and organizational structure. In order to start this important process, Rritje Albania advisors have mentored key clients to assign a dedicated staff member to implement the strategies and recommendations related to sales and marketing, such as trade fair preparation, coordination and follow-up, website maintenance, etc. It is expected that all garment enterprises in the Elite 7 will dedicate part-time or full-time human resources to sales and marketing for training and mentoring by Rritje Albania staff and STTA.

*Access to finance* - While a significant number of enterprises have invested in an accounting software package, a limited number of firms fully utilize these powerful management tools and generate the type of reports needed to manage finances and make informed decisions. The knowledge gap leads to poor financial management and restricts

the ability of the firm to access finance based on cash flow. In the fourth quarter, Rritje Albania compiled sources of financing and planned a series of roundtables to address the information asymmetry with regards to financing tools available to businesses (see more information on access to finance on page 31).

*Production control and cost management* – These are areas identified by STTA experts as needing improvement in all companies they visited. Symptomatic of this, when firms running at much less than capacity were asked by experts what they would do if a large rush order came in, most responded they would either add more workers or subcontract it out to someone else. To begin addressing this problem in garment companies, an STTA expert, John Haycock, was identified in March for a two-week assignment in April. The objective of this assignment will be to conduct a productivity-focused audit and assessment of apparel firms participating in the CIFF Trade Fair. The consultant will then define a program for improvement of production management methods and workflow optimization for each company. This assignment will work in parallel with the assignment being undertaken by Mrs. Atkinson.

Another intervention to reduce costs was made by STTA footwear expert James Parchman in February and March, who identified potentially cheaper sources of leather in Pakistan for several Albanian footwear companies. These leads are being followed up on by the companies themselves.

*HRM systems and practices* - The details of the development and piloting of this multi-client toolkit are listed in the workforce development component section below. None of the enterprises appraised during the first year of implementation had full or part-time staff dedicated to dealing with issues of employee recruitment, training, and retention. To address this need, Rritje Albania subcontracted a local firm which developed, designed and tested an HRM toolkit to assist companies with acquiring the knowledge and skills to perform this management activity.

### **Summary of Fourth Quarter Enterprise Productivity Component Activities**

- Guided by industry-specific STTA, designed and developed elements of a Sales and Marketing toolkit;
- Designed a grants scheme to fund adaption of new technology for productivity improvements to be launched in June 2010;
- Through an STTA expert connected footwear companies to potentially cheaper sources of leather from Pakistan;
- Through STTA experts provided strategic planning and business development advice for companies in tourism, garments and footwear;
- Developed an HRM toolkit and skills-based training for two companies in Korca through a subcontract and mentoring with a local BSP;
- Identified and drafted a SOW for a short-term garment productivity expert to come in mid-April to assess models of reducing costs, improving production line utilization, and upgrading technology.

## D8. Workforce Development Improved (PIR3)

In its meetings in year one to qualitatively and quantitatively assess Albanian businesses, Rritje Albania's technical staff identified numerous technical assistance needs that fall under the project's Workforce Development component. These demand-driven needs were later validated and refined by industry-specific STTA experts who visited the project's clients, assessed their needs and drafted written recommendations for the firms to consider implementing. Specific details on the activities undertaken, recommendations made, and results seen are found below.

### Rritje Albania's Workforce Development Strategy

The workforce development component's activities follow a standard programmatic sequence:

- 1) **Assess** the capacity and constraints of:
  - a) client firms and enterprises,
  - b) local partner organizations and business service providers, and
  - c) education and training institutions and organizations;
- 2) **Design** solutions that meet client needs and build capacity of our partners;
- 3) **Pilot** solutions developed;
- 4) **Evaluate** and refine our approach; and
- 5) **Scale up** for adaptation to multiple clients and partners.

During the first year of project implementation, workforce development activities focused primarily on the first three steps of the above sequence. For the first half of the year, the workforce development advisor worked with the project's technical staff and short-term technical experts to qualitatively analyze the workforce-related constraints to growth as perceived by a number of stakeholders, including SME owners/managers, experts in the industries, and workforce and human resource development specialists. The second half of the year was focused on developing and piloting alternative and systematic solutions that can be adjusted and adapted to multiple clients to remove the constraints identified and increase the availability of needed skilled labor. To ensure sustainability and local ownership in this process, Rritje Albania has engaged the services of local NGOs, associations, and education and training institutions to pilot these solutions. When these local providers could not provide the services needed by the assisted enterprises, the workforce development advisor has provided technical assistance and coaching. The strategy behind investing in and building their capacity is for Rritje Albania's interventions to be replicated on a much larger scale, and past the end date of the project.

These activities will be built upon in year two by assessing the capacity of additional education and training providers in each municipality where we have clients, analyzing whether they are producing graduates to meet the needs of enterprises in that region, and creating sustainable mechanisms of dialogue between businesses and educational institutions to increase the relevancy of curricula to the needs of the private sector. Year

two activities will also include developing MOUs with partner institutions to initiate effective internships and participation in job fairs.<sup>10</sup>

### Assessing Constraints

As part of the start-up process, the project analyzed factors that hinder firms' competitiveness by conducting baseline surveys and follow-up interviews with firms to identify and assess constraints related to the workforce. In these surveys, firms described their primary workforce needs as:

- 1) qualified marketing and sales staff and training to increase sales and numbers of buyers;
- 2) recruitment of new qualified and motivated staff, and;
- 3) job seekers with appropriate knowledge, skills, and attitudes referred by employment offices and education and training institutions and organizations.

In addition, Rritje Albania advisors and industry experts identified constraints of client firms from a workforce perspective, including:

- 1) Recruitment systems are weak or non-existent;
- 2) HRM functions and systems are also weak or non-existent, often lacking organizational structure and functions, job descriptions, and performance evaluations linked to productivity and customer satisfaction, and;
- 3) Most firms lack middle management (one-person shows) with little or no delegation of responsibilities and/or authority.

Specific examples of these three issues observed at the enterprise level include:

- High turnover of staff in line positions in the garment, footwear and tourism industries;
- Limited availability and lack of executive and middle management skills;
- Limited availability of sales and marketing staff at all levels: management, supervisors and sales agents;
- Existing training programs (technical, vocational and university level) prepare cadres and professionals that do not match business needs;
- Curricula utilized in VET institutions are not up-to-date with technological innovations and are not driven by competency-based training that correspond to actual enterprise needs;
- Internship and apprenticeship programs in place are not well coordinated and usually do not include competency based “hands-on-learning” evaluation systems or mentoring training for the company and instructors; and
- Few, if any firms, work with local training institutions and organizations to provide input and advice on curricula relevancy.

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<sup>10</sup> Intended year two activities are dependent on USAID approval of the proposed work plan.

## Identifying Potential Partners for Solutions

The workforce-related problems identified above are actually shared by many enterprises and can be solved by applying multi-client solutions and using a train-the-trainer approach to build the capacity within firms, education and training institutions/ organizations, and business service providers for greater impact and sustainability. One of the steps taken by the project to complement the on-going demand-side review of workforce issues at the enterprise level was to review the capacity of initiatives and institutions on the supply-side of workforce development. The aim was to better understand how education and training institutions and organizations prepare their students and beneficiaries for entering the workforce. The analysis explored ways to complement their work while helping meet the needs of firms.

Interviews and multiple visits with universities and vocational institutions (secondary and post-secondary) in the first year included: New York University of Tirana (Career Development Center), European University of Tirana (Business Department and Career Development Center); European University of Tourism; University of Korca (Economics-Tourism Director); Don Bosco Vocational Center in Fier; Korca Technical High School & Hospitality Training supported by TABITA. Visits and coaching with private and non-profit organizations providing pre-employment training included repeated visits and discussions with TABITA in Korca, Berat-based NGO In Protection of Urban and Rural Women's Rights, and the local organization Intellectual Women of Pogradec. All these three organizations are former USAID CAAHT grantees and provided workforce development activities in the past.

The findings from these meetings highlighted several areas for possible intervention to improve the quality and relevance of education and training supplied by these institutions and organizations. In summary:

- There are limited opportunities for students to get hands-on learning and real business/work experience;
- There is little evidence of institutions actively training students at the competency levels (of knowledge, skills, and attitudes) needed by the private and public sector;
- There is little evidence of effective management of internship programs whereby interns, instructors, institutions, and intern hosts (business or public) are adequately trained on competency-based and effective learning management strategies; and
- There is no evidence of partnerships forming between education and training institutions and the private (or public) sector.

Taking into account the above assessments, Rritje Albania focused its efforts in year one on strengthening dialogue and laying the groundwork for partnerships and collaboration between the institutions and Rritje Albania client firms in the following years for participation in job fairs and internship programs. For example, discussions with New

York University of Tirana prompted a Rritje Albania exhibit to promote internship opportunities at their job fair scheduled in late April in year two.

### Collaboration & Leveraging Other Donor Projects

To better contextualize Rritje Albania’s work in filling programmatic gaps while planning year two implementation, the project’s workforce development advisor researched what other donors are supporting in the area of vocational education and training in order to promote dialogue, develop complementary activities, and leverage their activities. Some of the larger donor-funded projects related to vocational education and training systems are summarized in the following table.

**Other Major Donors Operating in Workforce Development in Albania**

Project	Donor	Duration	Funds	Focus Areas
<b>Cards VET 3</b>	EU			Instructor training for VET institutions
<b>International Development Ireland &amp; SINTEF</b>	EU	2 years	2.2 million Euros	Support to local business service providers (primarily the RDAs) and partnering with AlbInvest.  Currently conducting a national training needs survey with Rritje Albania team reviewing and advising on the survey instrument and resources.
<b>AlbVET</b>	Swiss Agency for Development and Cooperation (SDC)	Till 2011	US\$6.5 million	VET reform including internships.
<b>Keducation-KulturKontakt</b>	Austrian NGO	1996-ongoing	US\$400,000 annually	Secondary level vocational schools focusing on agriculture, hospitality, economics, teacher training and curricula development.
<b>GTZ</b>	Germany	2008-10		Analysis of labor market in regions, workforce requirements, qualifications, occupational fields, teacher training, curricula and upgrading teaching materials.

Rritje Albania’s support differs greatly from that provided by the donor projects above. We start with the needs of private enterprises, while most other donors are working on institutional capacity building and reform, policy reform, curriculum development, and teaching methodology. However, we share a common goal: to increase the relevancy of education and training to meet the needs of the labor market in terms of skills/competencies needed and timeliness of available labor. By leveraging our activities with theirs, together we can have a much greater impact to bridge the gap between what is needed in the private sector, and what is taught and learned in the institutions. Moreover, given Rritje Albania’s strong connection with firms, there is a great deal of interest from

other donors to leverage these relationships. As opportunities present themselves, we will work with other projects to help us go to scale through their work with the institutions.

### Designing and Piloting Solutions

Taking into account the knowledge gained from assessing processes within firms and identifying what other donors and institutions are doing, the Rritje Albania workforce development advisor designed workforce development solutions that:

- 1) Provide managers/owners/HR managers with tools based on best practices;
- 2) Build the capacity within the firms to implement HR and management practices to improve the workforce;
- 3) Build the capacity of education and training institutions/organizations and business service providers to improve HR management and workplace readiness;
- 4) Focus on using experiential-based teaching/learning methodology and train-the-trainer approaches for sustainability.

The solutions piloted in year one used a case study approach to work with two companies, MAS-TORR and Grand Hotel in Korca, in developing three toolkits:

- 1) Recruitment and Pre-employment training;
- 2) HRM system for a footwear production company; and
- 3) HRM system for a service provider linking hospitality and customer service to performance for front desk, wait staff, and housekeeping in a hotel.

In the design of the toolkits, Rritje Albania and the managers of assisted firms agreed on the critical needs of the company, the process of developing the solution, cost-sharing of training programs needed, and in the case of the HRM toolkit, identify an existing staff member to be trained and responsible for implementing HR policies and practices with the owner. The development of the toolkits included the following components and elements:

- Training and coaching for the management and a HR Coordinator in each company;
- Agreement with a business service provider or local NGO or service provider to manage the process at the local level;
- Training needs assessment for the enterprise;
- “User-friendly” design and approach for the toolkit, including: 1) checklists of components; 2) Sample documents; and 3) Description of how to customize and adapt sample to individual company consistent using best practices with rational and purpose of that particular tool;
- Testing and evaluation with the company used as the toolkit development pilot;
- Replicate and refine (to be implemented during the second year);
- Scale up and “roll out” for broader dissemination (also planned for the second year);

- Dissemination through project website, HR association and chambers of commerce.

**MAS-TORR**, a footwear production company in Korca, was eager for assistance in recruiting new employees to expand production to meet the needs of buyers. In the first two quarters, Rritje Albania workforce advisor recommended an incentive-based recruitment scheme through which MAS-TORR hired an additional 6 people to deliver the additional orders.

Following various coaching sessions with the Workforce Development Advisor, the owner/ manager agreed to appoint an existing staff member to coordinate HR activities and assist with developing the recruitment system and a Human Resources Management (HRM) toolkit. Rritje then hired Tabita, a local NGO specializing in pre-employment training, job matching, and social services in the community, to manage the process locally and engaged an HR specialist to work with MAS-TORR to develop an HRM toolkit. Pre-employment training was provided for selected candidates to help them be more aware of the requirements and skills of the job, and ready them for full-time employment. HRM system training and coaching for MAS-TORR's HRM coordinator was provided to help the firm use the new recruitment system and lead the recruitment and selection process in the future.

**Grand Hotel** in Korca became the site of developing an HRM system and toolkit that linked customer service and satisfaction to job performance because the manager had identified hospitality and customer service as a constraint to increased sales and jobs. TABITA provided local management for this activity. The manager agreed to hire an assistant who is responsible for HRM coordination within the hotel. A Quality Mark assessment was conducted by the Rritje Albania Tourism Specialist and was used as the foundation for developing the toolkit and training for supervisors, the front desk, wait staff, and housekeeping services personnel. Training for the frontline workers was provided along with Training of Trainers (TOT) for the manager, HRM coordinator, and Supervisors of each department. A toolkit is in the process of development and will be replicated, refined, "rolled out" and disseminated in year two.

### Replicating Solutions

As described above, two Rritje Albania-supported firms were used as the "developmental pilots" to provide a context for developing replicable solutions for HRM systems; recruitment, selection and pre-employment training for new employees; and HRM systems as applied to hospitality and customer service.

Though it is a too early to provide impact and results from the piloted use of the systems developed for the toolkits, anecdotal reports indicate that both companies are implementing recommended changes and have been positive about the experience of systematically recruiting new staff (MAS-TORR), identifying the roles and functions of someone within the firm to coordinate and manage HR system development and implementation (MAS-TORR and Grand Hotel), and have instituted changes

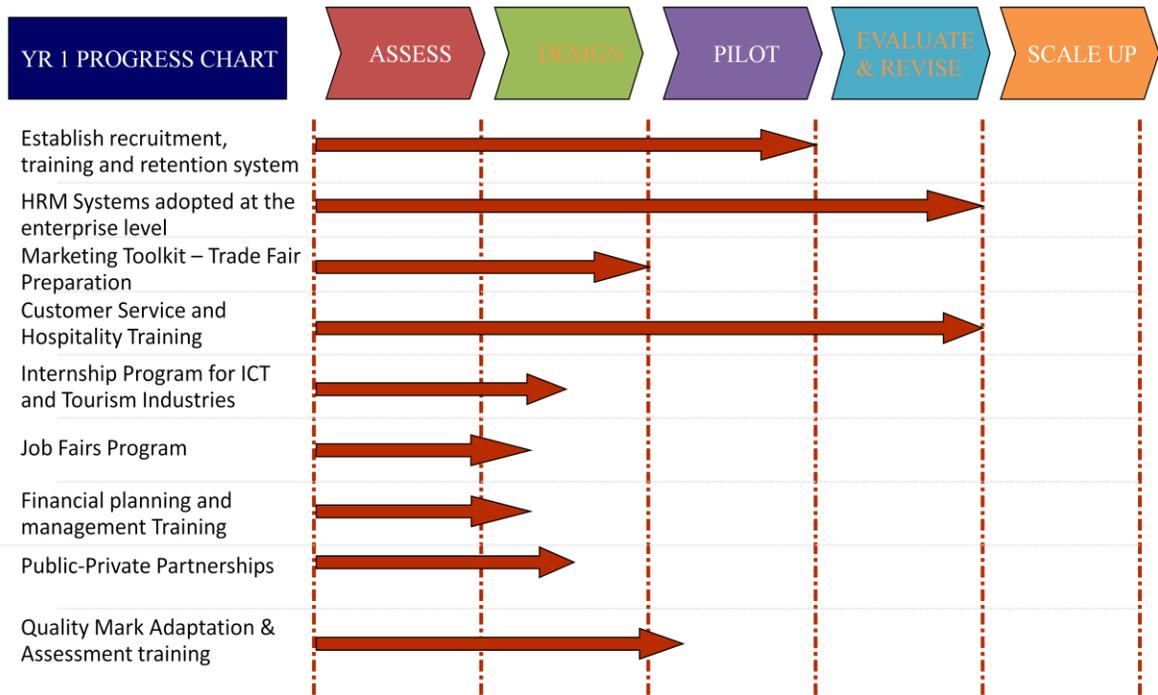
recommended. By applying the HRM system set up through the toolkit, MAS-TORR hired 11 new employees, signing employment contracts with them, effective on April 2, 2010. Linking the HRM system to hospitality training and customer service at the Grand Hotel has resulted in several changes in operations and service that is anticipated to provide a much needed system and process many hotels to support expanding tourism. In year two, the project intends to replicate these initial toolkits in several additional companies and refine and adapt them for wide replication and dissemination by the project and its partners.

### **Summary of Fourth Quarter Workforce Development Activities**

- TABITA, in cooperation with MAS-TORR, finalized an initial draft of an HRM toolkit, including an HRM policy manual, staff orientation manual, and recruitment and productive incentive schemes. The HRM toolkit development and pre-testing process culminated with the graduation ceremony in March and signature of 11 contracts between MAS-TORR and the new recruits. A final report for the initiative was drafted by TABITA and will be shared with USAID in May 2010. Plans are underway to have TABITA replicate the process with 3-6 additional firms in Korce and to use the toolkit to implement a similar process with two additional companies in Berat by September, 2010.
- Local STTA hospitality and tourism experts used the findings of a Quality Mark baseline assessment for the Grand Hotel in Korce to develop a Hospitality Toolkit between January and April with a focus on HR management and TOT for the manager, HRM coordinator, and supervisors of all departments in the hotel. Twenty-three employees of the Grand Hotel were trained in the process, including a Training of Trainers for supervisors, that has built the internal capacity of the Grand Hotel to recruit and train new staff on its own to provide quality customer services. The toolkit will be finalized and rolled out in the first quarter of year two to other hotels.
- Rritje Albania's Workforce Development Advisor initiated the idea and supported RCI to organize a Regional Workforce Development Workshop for USAID economic growth officers and contractors, held in Skopje, Macedonia in early April 2010;
- In the fourth quarter the project developed a strategy for implementing effective internship programs adapted to Albania institutions that will be ready for implementation with memorandum of understandings by early fall in year 2. Test agreement/ partnership will be developed by July, 2010.

The diagram below shows the major activities and where each is on the program planning and implementation continuum.

**Figure 3 – Progress Made in Workforce Development Solutions<sup>11</sup>**



<sup>11</sup> Some of the solutions listed in the diagram are described in detail in other sections of the report.

## **D9. Cross-Cutting Issues**

### **D9a. Partnerships and Coordination**

The revised results framework laid out in the next section recognizes the importance of the cross-cutting themes of gender, the environment and public-private partnerships and will ensure that they are integrated into all our interventions. To better capture and share the project’s approach to leveraging other resources, we have proposed the addition of another indicator to the Workforce Development component: “number of public-private partnerships developed” to better support the non-agriculture private sector with management, training and coaching. These activities to develop and maintain an improved workforce will be undertaken in partnership with local learning and training institutions as well as NGOs.

In year one, the Rritje Albania team explored opportunities with several potential partners and donors where our project activities could interconnect to maximize project impact, integrate cross-cutting considerations, and enable the project team to tackle issues that would be difficult to undertake alone. Also some staff of Rritje Albania had worked with previous USAID-funded projects, such as the Small Business Credit and Assistance project (SBCA) and the Enterprise Development and Export Market Services project (EDEM). The presence of these people on the Rritje Albania team has contributed institutional memory from these projects and prior knowledge of issues faced by businesses and industries in Albania seeking Rritje Albania support.

### **D9b. Gender**

The primary focus of Rritje Albania gender integration in year one has been to assure that all data collected from client enterprises is gender disaggregated and that all activities are “gender integrated”. In addition to integrating gender concerns in planning and designing training for newly recruited female employees, Rritje Albania has identified, supported and promoted women-owned and run businesses. Some of these enterprises, such as Donianna in footwear production, Sam in sports apparel production and Sava Tours in tourism are leaders in their sectors. By supporting women in positions of leadership, Rritje Albania will not only have higher impact on increasing sales and jobs, but also in promoting gender equity in business leadership and encouraging more women to take positions of supervision and management.

Year two activities will be more focused on developing recruitment, retention, and human resource management (HRM) systems that integrate gender concerns into objective criteria for recruiting, selecting, pre-employment training, and skills development as well as performance based evaluations and compensation plans. In year one, the Recruitment and Retention, and HRM toolkits were designed to provide gender neutral management tools that help enterprise owners and managers identify and train an HRM coordinator within the company who works with management to proactively and objectively recruit and train employees in such a way as to integrate gender considerations into the recruitment and performance evaluations of new and existing employees.

The management toolkits under development will be reviewed and incorporate gender integration best practices. For example, if high turnover is occurring in a company of mostly women employees, assistance to help identify the issues causing the turnover that may be gender oriented will be analyzed and a system developed and implemented that meets these needs, such as providing day care if that is the issue needing attention.

### **D9c. Environment**

In year one, an IEE amendment was filed and approved which met the requirements set forth by the deferral recommendation. Based on the findings of the rapid surveys conducted during the first three months of the project, Rritje Albania identified garments and textiles, shoe manufacturing, tourism, information and communication technology (ICT), recycling and food processing as the industries upon which the project would focus.

A categorical exclusion was recommended for activities under Trade and Investment and Workforce Development Components because they mostly contain activities that are training and capacity building, educational and technical assistance in nature. These initiatives would not affect environmental concerns of air, water, land, biodiversity, or human health.

Activities under Component 2, “Increasing Enterprise Productivity” which includes training to improve technical knowledge and skills, demonstrating new technologies to promote their adoption; training in production planning and quality control; conducting assessments of enterprises operation and making recommendations for efficiency improvement and similar activities that have no effect on the natural or physical environment were also included in the exclusion for IEE affecting air, water, land, biodiversity, and human health.

Rritje Albania has implemented and will continue to implement an environmental review system that screens activities on a rolling basis as they are defined, that puts in place mitigation measures and monitoring for those activities with the potential for adverse environmental impact using the methodology and regulatory requirements of USAID/ Environmental Procedures. Activities falling into either a minor or major adverse negative determination of conditions require an Environmental Assessment report. In year one no activities with negative environmental impact (minor or major) were undertaken.

The grants program implemented in year two will contain the same process of review and examination to assure that activities are not undertaken which will have a negative environmental impact. Should an activity arise in year two that may have a negative environmental impact, the Rritje Albania team will adhere to reporting and approval compliance.

## E. RESULTS-BASED MANAGEMENT

### E1. Planning, Monitoring and Evaluation

In order to plan and manage for results, the process of Monitoring and Evaluation is consistently integrated into all facets of implementing Rritje Albania. The regular collection, analysis and review of results contribute to:

- Project Progress Reports – capture and analyze the project’s achievements and challenges on a quarterly basis and adapt plans accordingly;
- Best Practices – Identify and replicate successful approaches to improve the performance and effectiveness of specific activities;
- Lessons Learned – Document results of interventions and revise the approach as needed, plan new objectives, results packages and activities based on results. This also includes management on whether to abandon under-performing activities, strategies or objectives; and
- Reporting and Communications – Document and report findings on the impact of assistance for internal and external purposes.

The first year of implementation focused on collecting and analyzing baseline information at the firm-level from non-agricultural enterprises and at the industry-level for the five key industries Rritje Albania focuses on and other high potential enterprises. In the last three quarters, the Rritje Albania team completed baseline profiles for 50 enterprises, and was in the process of finalizing profiles for 25 more enterprises. The information from the field informed the planning of key activities, and their initial results were used to adapt the plan and better inform Rritje Albania’s year two approach and planned activities. During the work planning retreat held in January 2010, Rritje Albania’s monitoring and evaluation supported the team to answer the following questions:

- *For the Rritje Albania team* – How is our program doing? What activities can be modified to strengthen the overall impact of the program? How can we prioritize resources to improve our performance?
- *For Rritje Albania-supported enterprises* – How well are we supporting target enterprises and sectors to grow and become more competitive? What should be our priority initiatives and interventions to maximize our performance?
- *For USAID* – Is Rritje Albania achieving its goals and objectives? What are the measurable results of the project? Can the project’s performance be improved?

#### E1a. Performance-Based Monitoring System

The focus of year one monitoring was to capture and document baseline information for all indicators, as well as record results for input and output level indicators. Although data was collected for outcome level indicators, their analysis and application for results-based management will become more relevant as the project continues to implement the

year two and subsequent programmed activities. The following tools are used for monitoring and evaluation:

- Performance-Based Monitoring Plan;
- Enterprise Quarterly Reports and Event Reports;
- STTA reports, recommendations and deliverables;
- Partner and BSP reports;
- Follow-up reports on STTA delivered;
- Updated CGP and Client Profiles (Annual)

Data collected and analyzed through these tools is included in quarterly and annual reports and used to adapt planning and management. The specific results attained by the project in Year 1 can be found in Annex 1.

In January 2010, the Rritje Albania team held a work planning workshop to prepare for the year two workshop. Results to date were used to review, revise and update the programmatic and operational assumptions for year one of implementation. Challenges and lessons learned drawn during the workshop and the preparation of this annual report are included in the following section.

In addition to using results to date to guide the planning of the year two implementation, the Rritje Albania M&E Officer and Chief of Party worked closely with USAID Albania's Economic Growth team and M&E Specialist on the results framework and P-BMP for the project.

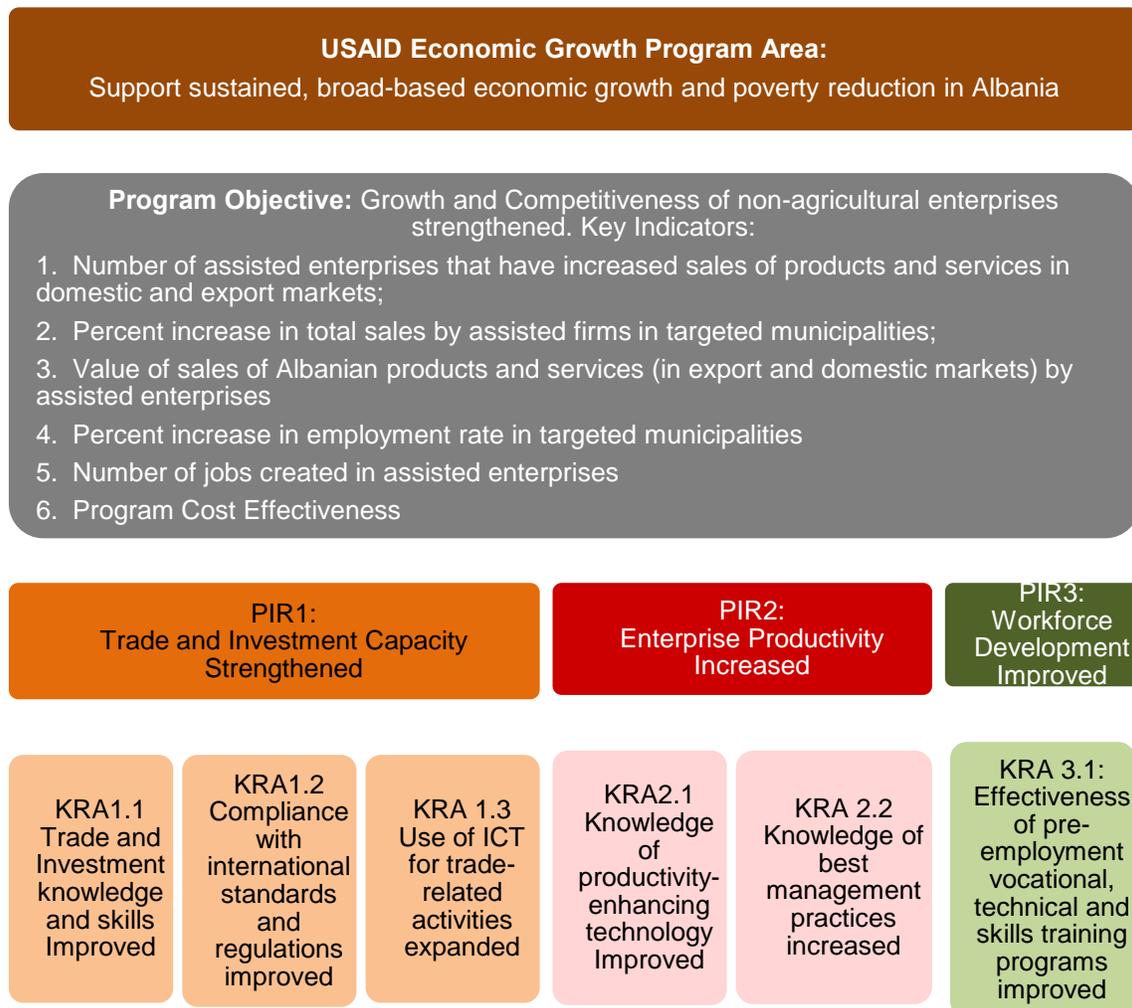
### **E1b. Results Framework**

To better answer the above questions and truly implement results-based management, proposals to revise the project's Results Framework and Indicators were informally presented to USAID/Albania for their review and comments in early February 2010. A key outcome of the proposed revision was to better align Rritje Albania's results framework and the results framework of USAID's Economic Growth Objective. The suggested revisions to the framework described below also takes on board suggestions the project received from the STTA industry experts brought in to assist firms in the tourism, apparel and footwear sectors. Furthermore, the proposed revised framework is built on a logical hierarchy linking activities and resources (inputs) with expected results through more direct cause-and-effect relationships. The changes proposed were submitted in a revised Performance-Based Monitoring Plan that attempts to more closely align indicators with those reported by USAID. The revised indicators, methodology, targets and other details included in the Indicator Reference Sheets can be found in the P-BMP under final discussions with USAID in April 2010.

As the revised results framework shows, the main focus of the project remains to effect positive change in competitiveness at the enterprise level as measured through two key indicators: increased sales and jobs. Over the life of the project, Rritje Albania looks to contribute to at least \$98 million in increased sales at assisted businesses.

While the three project components (PIRs) and their key results areas (KRAs) involve discrete elements, the technical assistance delivery mechanisms and tools developed and delivered under each area frequently overlap and complement each other. This allows Rritje Albania to contribute to results across one or more components for each activity. For example, a single workshop covering “trade fair preparation” and training on a “sales and marketing toolkit” are captured under both PIR1/KRA1.1 Trade and Investment Knowledge and Skills Improved) and PIR2/KRA2.2 Improvement of Management Practices.

**Figure 4 – Revised Results Framework**



## **E1c. Performance-Based Monitoring Plan (P-BMP)**

The P-BMP is a critical management tool that lays out the approach the project takes to systematically record, analyze and report results. Based on the input – KRA; output – PIR; and outcome-level – project impact indicators included in the Results Framework; the P-BMP details the type and frequency of data collected to report on each indicator, their definitions and methodology for calculating results, as well as the annual targets the project has set to contribute to the overall goal of improving the growth and competitiveness of non-agricultural enterprises.

The proposed revised Results Framework also required revisions in the performance indicators selected, which is reflected in the P-BMP for year two of the project. This makes the P-BMP a tool that will be used proactively by the project for results-based management. This annual revision process will continue in consultation with USAID/Albania Economic Growth team, M&E specialist and partners in the same field, that contribute to secondary data sources.

## **E2. Challenges and Lessons Learned**

An important activity that projects need to do is evaluate the challenges, obstacles and difficulties affecting the achievement of results and take corrective measures as necessary to overcome them. In the case of Rritje Albania, the main challenges the project initially faced in year one related to the frequent absence of the Chief of Party (COP) in the first few months of the project and eventually his departure in August due to health reasons. Despite the best efforts of Chemonics' home office to mitigate this unforeseen and uncontrollable event, the irregular presence of the COP had an effect. It also meant that the opportunity to capitalize on the early momentum, which normally gathers quickly at the start of new projects, was not fully realized and the lack of a full-time presence in the Chief of Party position until late September impacted the results achieved for the year.

However, as detailed in this report the number and variety of technical assistance activities picked up dramatically over the last four months of the year. This was due in large measure to the project team's growing number of contacts with clients and potential clients, development partners and other stakeholders to the project's goals and objectives. Also, when drafting its quarterly reports, the Rritje Albania team meets to review activities held and planned and takes time to reflect on the main challenges encountered and tries to identify strategies and tactics to overcome them. This learning process was particularly evident in the development of the year two work plan and the planning process that preceded its submission.

As part of the exercise, an off-site retreat was held in Durres from January 11-13, 2010 and attended by the full field office team plus two persons from Chemonics' headquarters: the project management unit director and a human resource employee with experience in leading work planning meetings.

Over the two weeks leading up to the retreat, the field office team held two half day mini-retreats in the Tirana office to begin reflecting on the first year of project implementation in order to capture the challenges, lessons-learned and possible ways forward in year two. Having done this, the team was prepared to accomplish the primary goals of the work planning retreat--namely that participants will have:

- Leveraged individual and team work and communication styles to improve effectiveness with one another, clients, and other stakeholders;
- Achieved a common understanding of project targets, results to date and goals for year two of the project;
- Refined year two assumptions, developed strategies and approaches to meeting the goals;
- Developed the first draft of the year two work plan, identifying activities, resources, timelines, milestones, and expected results.

As part of the year one analysis, project staff listed common assumptions held by the majority of team members that influenced the choice of technical activities undertaken by the project and the allocation of project resources. The assumptions thought to have the greatest influences were the following:

1. Project will offer assistance only for solutions to SME problems that result in a minimum 5:1 return on cost to project.
2. Solutions will be cost-shared with clients at a minimum of 50/50.
3. After a few short visits, clients would be willing to articulate technical assistance needs and share detailed sales and jobs figures with Business Advisors that would be captured in Client Growth Plans (CGP).
4. Industry selection was appropriate.
5. Client-focused solutions are necessary to address binding constraints to sales and jobs, therefore the growth of each business.

In hindsight, it was found that the self-imposed limit of focusing on solutions that led to 5:1 return in enterprise sales meant that industry-level exercises were not given adequate consideration. In the case of cost sharing, SMEs were resistant to assuming 50% cost sharing before being convinced that the technical assistance would be cost-effective. Also, there was resistance on the part of owners to fully divulge information on their companies until a certain level of trust was built up over time and after several visits with Business Advisors. This meant that achieving targets for signed CGPs were taking longer than anticipated. On point number four, it was agreed that the initial five industries selected were appropriate. The combined revision of points four and five resulted in the industry-wide short- and long-run strategies developed by the project and elaborated in the year two work plan.

Moving into year two, shared key assumptions were modified as follows:

1. Project will offer assistance (~~only~~ was taken out) for solutions that result in 5:1 return on cost to project or higher, but exceptions can be considered such as initial

- STTA needs assessment visits or when implementing industry-level activities requiring a longer period of return and difficulty attributing increases in sales and jobs.
2. Project clients will include those who sign CGPs, to receive assistance over an extended period of time and commit to report sales and jobs numbers over the life of the project as well as others that receive short-term USG assistance to improve the competitiveness of their business. Rritje Albania will monitor the effect of assistance with the latter group on a case by case basis.
  3. The project will seek synergies with other donors and opportunities to leverage resources and prioritize interventions to maximize return on investments.
  4. Industry selection was appropriate. There will be some revision – food processing will likely be added and other businesses will be considered on a case-by-case basis.
  5. While client-focused solutions are necessary to address binding constraints to growth and competitiveness improvement, the design, development and delivery of industry strategies and multi-client solutions represent a cost-effective and high-impact approach for Rritje Albania to focus on year two of implementation.

In addition to the points above, the five STTA expatriate consultancies in tourism, footwear and garment industries that were implemented between November and March and totaled over 90 days LOE, significantly affected the course of technical activities. In addition to providing valuable assistance to clients by assessing businesses and recommending a wide range of specific actions to boost the competitiveness of firms, they provided valuable input into the development of the project's strategy in its work with firms and sectors. The impact of this input is evident in the work which followed each consultancy as well as in the formulation of the project's year two work plan.

### **E3. Communications**

The Monitoring & Evaluation Officer, who also carries the Communications portfolio, worked closely with the Chief of Party, PMU, and technical team to prepare for and hold several technical activity events, for which communications materials were designed and printed. In addition to the quarterly report, Rritje Albania focused on the following communications activities, supported and advised by USAID Albania's Documentation and Communications Officer.

*Updated the Branding Strategy and Marking Implementation Plan* – In order for the project name to better resonate with the target beneficiaries and stakeholders, the project team proposed the name of the project to be changed to **Rritje Albania**, which means Growth Albania. The sub-brand of the project included in the revised branding and marking document reflected this change in Albanian and in English. The images were submitted and approved by the USAID LPA in Washington DC through the USAID Albania DCO.

An internal Communications Plan was prepared with support from the Home Office. The plan set internal targets for communications milestones, including events, promotional materials and website. The project team drafted several Success Stories that will be submitted in April through USAID’s Success Story database.

Throughout implementation of year one activities, Rritje Albania communications events and materials developed included:

- Rritje Albania introduction through a project booth at the Conference and Exhibition on Tourism and Real Estate, co-organized with FIAA in October 2009;
- Fam Tour and B2B meetings with foreign tour operators in October 2009;
- Roundtable events held in conjunction with the Italian-Albanian SME development program in Durres, Vlora, Korca, and Shkodra;
- Authentic Albania Quality Mark introduction at the ATA’s 2<sup>nd</sup> Annual Conference;
- Fam Tour 2010 launch at the ITB Berlin in March 2010;

Specific communications results for year one included:

Material	Description	Q1-Q2	Q3	Q4	Cumulative
Brochure	Overall project description and sample Rritje Albania support	Sep 2009			2
	Tourism brochure for Rritje Albania initiatives (ITB)			March 2010	
Banners	Project Banner with Rritje Albania sub-brand	Sep 2009			9
	B2B meetings banner	Sep 2009			
	Industry-specific standing banners	Sep 2009			
	Map of Rritje Albania activities	Sep 2009			
	Fam Tour 2010 Draw standing banner			March 2010	
Agenda and Invitations	B2B meetings at the <i>Conference on Tourism and Real Estate in Albania</i>	Sep 2009			1
Press Release	Fam Tour and Tourism B2B meetings		Oct 2009		3
	Quality Mark introduced at the ATA 2 <sup>nd</sup> Annual Conference			Feb 2010	
	Rritje Albania launches Fam Tour 2010 at ITB Berlin			March 2010	
Presentations	Roundtables presentation		Nov 2009		2
	Workforce development presentation at the RCI roundtable in April			March 2010	
CDs	Southern Albania Itineraries (ITB Berlin)			March 2010	1
Certificates	Everest IE sales Training	Aug 2009			2
	MAS-TORR pre-employment			March	

<b>Material</b>	<b>Description</b>	<b>Q1-Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Cumulative</b>
	competency-based training			2010	
<b>Bags</b>	Tote bags with the <i>Albania – A New Mediterranean Love</i> NTA branding	Sep 2009			1
<b>Website</b>	RFP issued, structure drafted for *project website * two industry websites * client-specific websites that conform with expert recommendations				In process

## F. PLANNED ACTIVITIES FOR APRIL-JUNE 2010

Activities for this quarter were included in the overall annual work plan submitted to USAID on February 17, 2010 for the April 1, 2010-March 31, 2011 implementation period. The document was revised to reflect USAID feedback and resubmitted by March 31, 2010. The details of the following activities are expounded on in the annual work plan. The schedule below is updated to reflect concrete dates and plans.

### F1. Industry-Specific Activities

Industry/ Component	Activity	Location	April	May	June
<b>Tourism</b>	Tour Guide Training	Saranda	21-25		
	Quality Mark TOT	Tirana			7-18
	Foreign Tour Operators Fam Tour	Southern Albania			3-8
	National Geographic Supplement Launch	Tirana and other municipalities (TBD)			23
<b>Garment</b>	Websites developed for apparel industry and selected companies	Tirana and other		1-31	
	Training for garment companies participating in CIFF	Tirana			10-11
	Website maintenance and update training for CIFF participating companies	Tirana			10
	Albanian Apparel Industry Launched	Tirana/ Nationwide			21

### F2. Trade and Investment Activities

Industry/ Component	Activity	Location	April	May	June
<b>Access to Finance Roundtables</b>	Introduce Rritje Albania Present financing products and institutions Launch B2B program	Vlora	15		
		Gjirokastra	16		
		Elbasan	22		
		Pogradec	23		
		Kukes	28		
		Tirana		27	
<b>ACIT VAT Reimbursement Study</b>	Roundtable to present and discuss findings with businesses and government representatives	Tirana		7	
<b>Regional B2B meetings</b>	Cooperation with CEED to bring together Albanian businesses with potential partners from neighboring countries	Tirana		21-22	

### F3. Productivity Enhancement Activities

Industry/ Component	Activity	Location	April	May	June
<b>Productivity Assessments</b>	STTA to analyze 3 clients and rapid assessments of other garment enterprises	Tirana, Dures, Fier and Shkodra	26 Apr – 9 May		
<b>Improved Management practices</b>	Human Resource Management toolkit workshop	Korca			15
<b>Access to Technology</b>	Grants Program APS issued	Nationally through the press		17	

In addition to setting up a database that records, analyzes and produces reports for the project, the Rritje Albania M&E officer, COP and Program Management Unit at Chemonics' headquarters will work on designing and piloting a monetization methodology for one of the KRAs of the project. This pilot methodology will offer an addition to the current quantification of qualitative results, for example improved business management and access to technology. The purpose of this methodology is to complement the existing performance indicators and allow Rritje Albania to numerically measure the effect of qualitative change in the competitiveness of enterprises. The assumptions, cause-to-effect linkages and logical framework for this methodology will be developed in year two. The timeline for this pilot monitoring tool will be discussed with the USAID/ Albania team in the first quarter of year two.

Another activity under M&E in year two will be to establish, integrate and monitor follow-up tracking mechanisms for the key technical assistance interventions and recommendations delivered by the project to assisted firms and industries. Specifically, recommendations and lessons learned from STTA experts, as well as project participants to key events such as Fam Tours, trade shows and B2B meetings will be captured, analyzed and written up starting in June 2010. This process will not only identify and communicate success stories, but also act as a control mechanism to ensure that the project is achieving results.

## H. ANNEXES

### H1. Annual Performance Summary

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## INTRODUCTION

USAID's Rritje Albania Project submits quarterly reports that summarize achievements against indicators laid out in the Performance-Based Monitoring Plan (P-BMP). The fourth quarterly report for each implementation year serves also as the annual report. This document reports on indicators incorporated into the P-BMP for Year 1 of project implementation, which were approved by USAID Albania in August 2009.

USAID's fiscal year runs from October to September, while the GOA fiscal year runs on the calendar year, with final fiscal information for the preceding year available by March. Given the reliance on the timely analysis and submission of enterprise-specific financial and employment information, Rritje Albania will assess and revise the data submitted in this report in time for USAID Albania's fiscal year report in September 2010.

Rritje Albania's implementation focus is on demand-driven, firm-level solutions that remove constraints to growth and competitiveness. As detailed in the Year 1 P-BMP, the key sources of baseline information are enterprises themselves. Before signing a Client Growth Plan -- a long-term agreement of cooperation between the enterprise and the project -- Rritje Albania advisors complete a baseline profile for the enterprise. During the first year of implementation, Rritje Albania completed the qualitative and quantitative information collected in these profiles that will be updated on an annual basis, in order to collect regular information on the changes and impact of project work. As the baseline information depends on the number of enterprises supported by the project, **the baseline and targets are constantly moving and will be disaggregated primarily by years of assistance delivered to the enterprise.**

Other significant sources of data for Year 1 implementation were event reports prepared by Rritje Albania technical staff and implementing partners, as well as reports prepared and delivered by industry-specific short-term technical experts (international and local). Secondary data available from INSTAT, Ministry of Finance and partners, such as ACIT, were used to double-check trends and other similar information.

In Year 1, Rritje Albania measured its results through 35 indicators:

- Impact level indicators: 6 indicators;
- Project Intermediate Results Indicators: 13 indicators;
- Key Result Area Indicators: 16 indicators.

In addition to these indicators, Rritje Albania contributed to USAID Albania's Performance Plan and Report Indicators (PPR) in 11 indicators, only 5 of which were included in the above 35 indicators during the reporting period for FY2009, and prepared targets for FY2010 and FY2011.

This Annual Performance Report starts with a summary of baseline information, followed by quarterly and cumulative annual progress on each project indicator. The following detailed tables provide explanations on data source, methodology, disaggregation and variance for each indicator.

## YEAR 1 CUMULATIVE RESULTS

**Table 1 – Primary Objective: growth and competitiveness of non-agricultural enterprises strengthened (Impact-level)**

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
1. Number of firms in targeted municipalities that have increased sales as a result of USG assistance	0	70	1	25	14	39
2. Percent increase in total sales by assisted firms in targeted municipalities	0	5%	TBD	TBD	TBD	3% <sup>12</sup>
3. Total increase in sales by client firms in targeted municipalities	0	Specific to firms	TBD	TBD	TBD	TBD
4. Percent increase in employment rate in client firms in targeted municipalities	0	5%	11.30%	7.4%	3.68%	TBD
5. Total increase in employment in client firms in targeted municipalities	0	Specific to firms, aggregates calculated	12 (6 female)	87 (58 female)	113 (82 female)	TBD
6. Program Cost Effectiveness	0	2 to 1	TBD			TBD

<sup>12</sup> While the combined real GDP of the South-East European countries declined by 3.7% in 2009, the International Monetary Fund (IMF) estimates that Albanian GDP grew by around 3% in 2009. The GDP contracted in the 4<sup>th</sup> quarter of 2009, following a slowdown of growth in the preceding quarters: 5.4%, 5.3% and 4.1% respectively. (ACIT, *Albania 2009 Trade Report*, 2010, p. 15). A better figure to use instead of the national GDP would be the industry-specific growth data for each financial year, however, there are no growth figures for each sector, as the Institute for Statistics (INSTAT) does not segregate GDP and GNP by the Rritje Albania industries.

The methodology used for calculating the change in sales is based on a period-to-period comparison for each enterprise, based on the baseline. Baseline information is collected for the 12-month period previous to assistance being delivered by the project. Therefore, annual comparison cannot be calculated for this report for a full 12-month cycle. In the final revised P-BMP, Rritje Albania proposes to collect, calculate and analyze the above impact indicators with a 3-month lag. Therefore, results for the FY2009 will be confirmed and analyzed for the April-June 2010 quarterly report submitted in July 2010.

In addition to the lack of monthly baselines sales data due to the staggered signature of Client Growth Plans, the following factors also affect the ability of Rritje Albania to report and directly attribute growth in sales for indicators 2 and 3 during this reporting period:

- During the first year of implementation, Rritje Albania support has focused on strategic and long-term assistance to the companies, as detailed in the narrative of this annual report. The impact of such assistance on sales will not be measurable and attributable to the project in the period it was delivered. Several of the positive results of the first year of implementation, for example: increased reservations from the Fam Tour 2009, improved uses of CAD/CAM by garment enterprises, have not yet materialized into increased sales due to the natural cycle of business growth.
- In order for attributability to be monitored, other factors such as the natural business growth cycle for Albanian economy and specific industries/sectors should be taken into account. The methodology, piloted in other competitiveness projects, is laid out in the *Are Business Approaches to International Development Effective? – A Cross-Country Analysis*, a paper by Chemonics Jim Riordan presented at the **2010 Oxford Business & Economics Conference (OBEC)**. Based on the methodology proposed and tested, the project's cost effectiveness cannot be measured concretely and in an attributable manner from the start of the project.
- For the enterprises assisted for which Rritje Albania does have monthly sales data available for the January-March 2009 and January-March 2010 periods, it is important to verify and qualify the change in sales. **Table 6** represents an initial variance explanation, however, the Monitoring and Evaluation Officer and technical team will follow-up with every enterprise to analyze and explain the sales change pattern for the enterprises in the following quarter, in this case April-June 2010. This follow-up process will also allow Rritje Albania to monitor growth patterns across enterprises and industries and facilitate the attribution of results as the assistance delivered by the project directly contributes to increased sales and business growth and competitiveness.

**Table 2 – Trade and Investment Capacity Strengthened (PIR1)**

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
1.1 Number of firms able to use necessary information, data and other inputs to improve understanding of international market demand and competitive conditions, and the regulatory standards and other requirements for accessing specific markets.	0	20	2	28	11	37
1.2 Number of assisted firms that obtain certification with international quality control, environmental and other process voluntary standards or regulations	0	5	0	0	0	0
1.3 Number of firms employing ICT to improve goods and services, to identify commercial opportunities and establish contacts with potential international business partners	0	10	1	4	2	6
1.1.1 Number of USG supported training events related to trade knowledge and skills	0	5	1	2	2	5
1.1.2 Number of persons trained in trade knowledge and skills	0	100	10 (2 female)	30 (12 female)	19 (6 female)	59 (20 female)
1.2.1 Number of trainings offered in certification with international quality control, environmental and other process voluntary standards and regulations.	0	5	0	1	2	3
1.2.2 Number of persons trained in certification with international quality control, environmental and other process voluntary standards and regulations.	0	60	0	9 (5 female)	38 (19 female)	47 (24 female)
1.3.1 Number of USG supported training events related to trade communications and technologies	0	5	1	1	1	3
1.3.2 Number of persons trained in trade communications and technologies	0	100	32	1 (male)	10 (2 female)	43 (2 female)

**Table 3 – Private Sector Productivity Increased (PIR 2)**

<b>Indicator</b>	<b>Baseline</b>	<b>Year 1 Targets</b>	<b>Apr – Sep 2009</b>	<b>Oct-Dec 2009</b>	<b>Jan – March 2010</b>	<b>Year 1 Cumulative</b>
2.1 Number of firms implementing technological innovations as a result of USG assistance	0	70	No specific implementation in this component		2	2
2.2 Number of participants in USG-supported technological innovations training	0	100	See Indicator 2.1.2			
2.3 Number of firms able to reduce production costs as a result of USG assistance	0	70	No specific implementation in this component		5	5
2.4 Number of assisted firms implementing good business management, marketing and governance practices.	0	70	2	8	10	17
2.5 Number of participants in USG-supported training in business management, marketing and governance	0	100	See Indicator 2.2.2			
2.6 Number of firms able to expand existing or penetrate new markets as a result of USG assistance	0	70	1	26	9	36
2.7 Number of firms that successfully accessed bank loans as a result of USG assistance	0	5	0	0	0	0
2.1.1 Number of training events in technological innovation	0	5	0	1	1	2
2.1.2 Number of persons trained in technological innovation	0	100	0	11 (4 female)	9 (1 female)	20 (5 female)
2.2.1 Number of training events in business management, marketing and governance practices	0	5	1	2	4	6
2.2.2 Number of persons trained in business management, marketing and governance practices	0	50	7 (no female)	12 (5 female)	26 (11 female)	45 (16 female)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.3.1 Number of training events in identification of and response to market opportunities	0	5	1	2	2	5
2.3.2 Number of persons trained in identification of and response to market opportunities	0	50	7 (no female)	25 (9 female)	12 (2 female)	44 (11 female)

**Table 4– Workforce Development Improved (PIR3)**

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
3.1 Number of people gaining employment or better employment as a result of participation in USG-supported workforce development programs	0	50	13 (6 female)	Counted in Q4	45 (35 female)	58 (45 female)
3.2 Number of persons completing USG-supported workforce development programs	0	80	13 (6 female))	Counted in Q4	11 (11 female)	24 (17 female)
3.3 Number of persons participating in USG-supported workforce development programs	0	100	13 (6 female)	Counted in Q4	45 (35 female)	58 (45 female)
3.1.1 Number of pre-employment and employability programs supported	0	2	1	2	2	2
3.1.2 Number of persons participating in USG-supported pre-employment and employability programs supported	0	50	0	0	15 (15 female)	15 (15 female)
3.2.1 Number of technical/ vocational training programs supported	0	5	0	0	2	2
3.2.2 Number of persons participating in USG-supported technical/ vocational training programs		50	7 (no female)	0	45 (35 female)	52 (35 female)

## INDICATOR TABLES

### 1. Impact-Level Indicators: Growth and Competitiveness

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
1. Number of firms in targeted municipalities that have increased sales as a result of USG assistance	0	70	1	25	14	39

Rritje Albania assistance took place in direct enterprise-specific solutions and through multi-client solutions that engaged several enterprises at once. The following table shows enterprises assisted directly through client-specific and multi-client solutions in year one:

*Table 5 – Enterprises Assisted Directly by Rritje Albania in April 2009-March 2010*

No.	Client Enterprise	Location	Industry	STTA	Fam Tour	B2B mtgs	Results/ Outcome
1	Everest I.E.	TR	Recycling	Janaq local			Sales & Marketing
2	SAM	TR	Garment	Philip			Strategic Plan
3	MAS-TORR	KO	Footwear	TABITA			HRM and training
4	Hotel Fieri	FR	Tourism	Susan	Oct-10		HRM, training and more reservations
5	Donianna	TR	Footwear	James			Raw materials source
6	NPV International	KO	Garment	Jeanne			Strategic and Marketing Plan
7	Grand Hotel	KO	Tourism	TABITA			HRM and training
8	Mito 2	BR	Footwear	James			Strategic plan and recommendations
9	Picari	FR	Footwear	James			Strategic plan and recommendations
10	Alba	LA	Footwear	James			Strategic plan and recommendations
11	Melgushi	SH	Garment	Jeanne			Strategic and Marketing Plan
12	Silda	FR	Footwear	James			Strategic plan and recommendations
13	Lolida Group	VL	Footwear	James			Strategic plan and recommendations
14	Alangore	SH	Footwear	James			Strategic plan and recommendations
15	Hotel Cajupi	GJ	Tourism	Susan	Oct-10	Oct-10	HRM and training
16	Ambra	DR	Garment	Jeanne			Strategic and Marketing Plan
17	Meko 98	TR	Garment	Jeanne			Strategic and Marketing

No.	Client Enterprise	Location	Industry	STTA	Fam Tour	B2B mtgs	Results/ Outcome
							Plan
18	Albania Holidays	TR	Tourism			Oct-10	ITB-B2B meeting
19	Albania Experience	TR	Tourism				ITB – B2B meetings
20	Sava Tours	TR	Tourism			Oct-10	
21	Sipa Tours	SR	Tourism			Oct-10	
22	Hotel New York	VL	Tourism		Oct-10		
23	Hotel Vlora International	VL	Tourism				
24	Destination Albania	TR	Tourism			Oct-10	
25	ATHS	TR	Tourism			Oct-10	
26	Tirana International Hotel	TR	Tourism		Oct-10	Oct-10	
27	Hotel Puka	PU	Tourism			Oct-10	
27	Attractive Travel	TR	Tourism			Oct-10	
29	Elite Travel	TR	Tourism			Oct-10	
30	Theranda Hotel	TR	Tourism		Oct-10		
31	Hotel Butrinti	SR	Tourism		Oct-10		
32	Hotel Tomorri	BR	Tourism		Oct-10		
33	Hotel Diplomat Fashion	TR	Tourism		Oct-10		
34	Hotel Adriatik	DR	Tourism		Oct-10		
35	Hotel Mondial	TR	Tourism		Oct-10		
36	Rapos Resort Hotel	VL	Tourism		Oct-10		
37	Hotel Arvi	DR	Tourism		Oct-10		
38	Edipack	DR	Recycling				Linkages with footwear packaging for other Rritje Albania clients
39	Elektro Teknik	TR	ICT				Strategic business analysis through CGP development

In addition to the businesses supported directly, Rritje Albania work has also had indirect effects on other enterprises through industry initiatives such as Familiarization Tours in tourism. Furthermore, by linking enterprises with potential business partners upstream and downstream in the value-chain, Rritje Albania has indirectly affected these other businesses. One such example is the linkage between Picari, the footwear company in Fier, with a company in Lezha that produces dies and iron-cast moulds. By engaging the services of this Albanian company, not only Picari will cut down its pattern-development time that currently requires transport to and from Italy, but the company from Lezha will see increased sales and business growth from this new work.

Using the finalized indicators and methodologies revised with the USAID Albania Economic Growth team, Rritje Albania will capture the long-term impact of industry-wide initiatives and indicate so in the results tables. However, given the time it takes for the effect of the delivered assistance to show in the sales and jobs of a company, Rritje Albania will analyze the sales numbers for the period ending one quarter before the reporting period end date.

<b>Indicator</b>	<b>Baseline</b>	<b>Year 1 Targets</b>	<b>Apr – Sep 2009</b>	<b>Oct-Dec 2009</b>	<b>Jan – March 2010</b>	<b>Year 1 Cumulative</b>
2. Percent increase in total sales by assisted firms in targeted municipalities	0	5%	TBD	TBD	TBD	3%

This indicator is calculated as the average of the percentage increase in total sales for companies assisted in the report period. Baseline information collected covers the 12-month period previous to the CGP signature. Therefore, for all CGPs signed in January-March 2010, baseline data starts in the January-March 2009 period. For some of those recently-signed CGPs, calculating the period-to-period sales change is not possible due to the incompleteness of baseline data.

Furthermore, as the number of enterprises assisted varies for each quarter, sales data from the cumulative enterprises with signed CGPs up to the reporting period are analyzed. The following table shows the numbers used for the calculation of this indicator in this reporting period.

**Table 6 – Sales Reported by Enterprises that have signed CGPs with Rritje Albania in January-March 2010**

No	Enterprise	Industry	CGP signed	YR0Jan-Mar09	YR1Jan-Mar10	Absolute Change	% Change	Comments
C01	Everest IE	Recycling	16-Jun-09	ALL 77,140,838	ALL 24,778,522	<b>-ALL 52,362,316</b>	<b>-67.9%</b>	<b>Due to delayed effect of the crisis, orders from clients dropped when the economy slowed down in mid-late 2009</b>
C02	SAM	Garment	16-Jun-09	ALL 9,034,431	ALL 20,640,000	ALL 11,605,569	128.5%	In Jan-March 2009, Sam closed its fasson business and was just starting up its customized production, explaining some of the high growth pace. (Verify in April-June 2010)
C03	MAS-TORR	Footwear	20-Aug-09	ALL 9,970,881	ALL 10,393,254	ALL 422,373	4.2%	As the narrative annual report details, MAS-TORR received additional orders this season, orders he can meet with the new recruits hired through Rritje Albania support
C04	Hotel Fieri	Tourism	28-Aug-09	ALL 900,000	ALL 9,630,000	ALL 8,730,000	970.0%	In January-March 2009, Hotel Fieri was under reconstruction and the hotel, its restaurant and conference rooms were not in operation
C05	Edipack	Recycling	2-Oct-09	n/a	ALL 51,000,000	n/a		Baseline data from Edipack not available for January-March 2009 – in April-June 2010,

No	Enterprise	Industry	CGP signed	YR0Jan-Mar09	YR1Jan-Mar10	Absolute Change	% Change	Comments
								advisors will verify growth pattern for future monitoring
C06	Donianna	Footwear	7-Oct-09	n/a	ALL 790,574,638	n/a		Same as Edipack
C07	NPV Int'l	Garment	23-Dec-09	ALL 29,665,709	n/a	n/a		Due to health reasons, NPV international owner has not be reachable for this reporting period - a field visit is scheduled to verify monthly sales
C08	Grand Hotel	Tourism	23-Dec-09	ALL 2,176,100	ALL 2,442,461	ALL 266,361	12.2%	Reasons for growth to be monitored in April-June 2010
C09	Mito 2	Footwear	28-Jan-10	ALL 9,635,000	ALL 16,900,000	ALL 7,265,000	75.4%	Mito 2 has invested in a new production line
C10	PICARI	Footwear	28-Jan-10	ALL 133,000,000	ALL 112,321,000	<b>-ALL 20,679,000</b>	<b>-15.5%</b>	Reasons for lower sales to be monitored in April-June 2010
C11	Alba	Footwear	28-Jan-10	ALL 47,266,430	ALL 66,942,376	ALL 19,675,946	41.6%	Reasons for growth to be monitored in April-June 2010
C12	Melgushi	Garment	28-Jan-10	ALL 20,203,478	ALL 20,012,037	<b>-ALL 191,441</b>	<b>-0.9%</b>	Reasons for lower sales to be monitored in April-June 2010, though the decrease fits with garment industry patterns for Albania in 2009
C13	Silda	Footwear	29-Jan-10	ALL 8,205,500	ALL 8,100,000	<b>-ALL 105,500</b>	<b>-1.3%</b>	Companies operated through same management, follow up in April-June 2010 to verify change in sales for both
C14	Lolida Group	Footwear	29-Jan-10	ALL 18,427,500	ALL 18,600,000	ALL 172,500	0.9%	

No	Enterprise	Industry	CGP signed	YR0Jan-Mar09	YR1Jan-Mar10	Absolute Change	% Change	Comments
C15	Alangore	Footwear	9-Feb-10	ALL 236,904,920	ALL 68,804,833	N/A	N/A	The data from Jan-March 2009 refers to the Italian-owned company, called Adelchi, managed by the same management. Alangore was established in April 2009, therefore the comparison is not relevant.
C16	Hotel Cajupi	Tourism	18-Feb-10	ALL 1,450,000	ALL 4,910,000	ALL 3,460,000	238.6%	Same as Hotel Fieri – verify in April-June 2010
C17	Ambra	Garment	2-Mar-10	ALL 29,845,000	ALL 37,549,743	ALL 7,704,743	25.8%	Follow up on effect of STTA recommendations on the business growth
C18	Meko 98	Garment	5-Mar-10	ALL 13,291,000	ALL 15,100,000	ALL 1,809,000	13.6%	
C19	Albania Holidays	Tourism	5-Mar-10	n/a	ALL 2,400,000	n/a		Baseline data from these tour operators not available for January-March 2009
C20	Albania Experience	Tourism	20-Mar-10	n/a	ALL 31,212,000	n/a		
C21	Sava Tours	Tourism	24-Mar-10	n/a	ALL 3,261,310	n/a		
C22	Elektro Teknik H&L	ICT	TBA	ALL 26,954,457	ALL 63,809,847	ALL 36,855,391	136.7%	No STTA delivered but growth pattern to be monitored
C23	Sipa Tours	Tourism	31-Mar-10	ALL 0	ALL 556,615	n/a		Baseline data from these tour operators not available for January-March 2009

In the coming quarter, Rritje Albania will collect qualitative information on the change in sales from period to period and update the comments/variance explanation section for each client. As explained in the previous sections, based on the best information available during the drafting of this report, none of this growth can be directly attributed to the project's activities. This also explains the numbers for the following indicator.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
3. Total increase in sales by client firms in targeted municipalities	0	Specific to firms	TBD	TBD	TBD	TBD

Table 7 shows the changing baseline and changing figures submitted by Rritje Albania in past quarterly reports.

**Table 7 – Sales Reported by Client Enterprises by Quarter**

Enterprise	CGP signed	Jul-Sep Change	% Change	Oct-Dec Change	% Change	Jan-March Change	% Change
Everest IE	16-Jun-09	ALL 19,876,307	62%	-ALL 16,823,090	-32%	-ALL 52,362,316	-67.9%
SAM	16-Jun-09	ALL 5,063,257	45%	ALL 9,522,170	74%	ALL 11,605,569	128.5%
MAS-TORR	20-Aug-09	ALL 3,496,471	117%	ALL 1,067,044	13%	ALL 422,373	4.2%
Hotel Fieri	28-Aug-09	ALL 811,500	n/a	ALL 8,558,000	821%	ALL 8,730,000	970.0%
Edipack	2-Oct-09			ALL 33,568,000	n/a	n/a	n/a
Donianna	7-Oct-09			ALL 684,248,770	n/a	n/a	n/a
NPV Int'l	23-Dec-09			ALL 16,841,800	110%	n/a	n/a
Grand Hotel	23-Dec-09			ALL 366,354	9%	ALL 266,361	12.2%
Mito 2	28-Jan-10					ALL 7,265,000	75.4%
PICARI	28-Jan-10					-ALL 20,679,000	-15.5%
Alba	28-Jan-10					ALL 19,675,946	41.6%
Melgushi	28-Jan-10					-ALL 191,441	-0.9%
Silda	29-Jan-10					-ALL 105,500	-1.3%
Lolida Group	29-Jan-10					ALL 172,500	0.9%
Alangore	9-Feb-10					n/a	n/a
Hotel Cajupi	18-Feb-10					ALL 3,460,000	238.6%
Ambra	2-Mar-10					ALL 7,704,743	25.8%
Meko 98	5-Mar-10					ALL 1,809,000	13.6%
Albania Holidays	5-Mar-10					n/a	n/a
Albania Experience	20-Mar-10					n/a	n/a
Sava Tours	24-Mar-10					n/a	n/a
Elektro Teknik H&L	March-10					ALL 36,855,391	136.7%
Sipa Tours	31-Mar-10					n/a	n/a
Totals/ Averages		ALL 29,247,535	74.73%	ALL 737,349,048	166.03%	ALL 24,628,625	104.13%

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
4. Percent increase in employment rate in client firms in targeted municipalities	0	5%	11.30%	7.4%	3.68%	TBD <sup>13</sup>

As discussed in the P-BMP revisions with USAID/Albania's Economic Growth team, the employment rate in client enterprises cannot be measured directly. Therefore the calculation of this indicator used the formula of % change in the average employment (by gender) for the two periods of January-March 2009 and January-March 2010. As this indicator was revised for the following years of the project, the improved methodology and targets will be finalized for the Year Two quarterly and annual reports.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
5. Total increase in employment in client firms in targeted municipalities	0	Specific to firms, aggregates calculated	12 (6 female)	87 (58 female)	113 (82 female)	TBD <sup>2</sup>

The following table includes gender-disaggregated average employment for the two quarters, January-March 2009 and January-March 2010, for all Rritje Albania enterprises that had signed CGPs in the first year of implementation.

**Table 8 – Employment Levels for Assisted Enterprises in January-March 2010**

No.	Enterprise	CGP signed		Jan-March 2009 Average	Jan-March 2010 Average	% Average Change
C01	Everest IE	16-Jun-09	M	32	70	117.71%
			F	15		22.22%
			ALL	47		87.23%
C02	SAM	16-Jun-09	M	1	2	100.00%
			F	22		33.33%
			ALL	23		36.23%
C03	MAS-TORR	20-Aug-09	M	8	9	8.00%
			F	75		9.82%
			ALL	83		9.64%
C04	Hotel Fieri	28-Aug-09	M	2	12	500.00%

<sup>13</sup> Employment disaggregated by municipalities and industries is not readily available for the January-March 2010 period; therefore it is not possible to directly attribute the above increases in employment directly to Rritje Albania's assistance.

No.	Enterprise	CGP signed		Jan-March 2009 Average	Jan-March 2010 Average	% Average Change
			<b>F</b>	5	15	200.00%
			<b>ALL</b>	7	27	285.71%
C07	NPV Intl	23-Dec-09	<b>M</b>	N/A	N/A	N/A
			<b>F</b>	N/A	N/A	N/A
			<b>ALL</b>	217	N/A	N/A
C08	Grand Hotel	23-Dec-09	<b>M</b>	12	15	25.00%
			<b>F</b>	18	20	12.96%
			<b>ALL</b>	30	35	17.78%
C09	Mito 2	28-Jan-10	<b>M</b>	12	18	50.00%
			<b>F</b>	59	78	32.95%
			<b>ALL</b>	71	96	35.85%
C10	Picari	28-Jan-10	<b>M</b>	15	22	46.67%
			<b>F</b>	233	219	-6.14%
			<b>ALL</b>	248	241	-2.95%
C11	Alba & N	28-Jan-10	<b>M</b>	13	15	18.42%
			<b>F</b>	85	140	65.10%
			<b>ALL</b>	98	155	59.04%
C12	Melgushi	28-Jan-10	<b>M</b>	12	15	31.43%
			<b>F</b>	111	192	73.80%
			<b>ALL</b>	122	208	69.75%
C13	Silda	29-Jan-10	<b>M</b>	2	2	0.00%
			<b>F</b>	48	68	40.69%
			<b>ALL</b>	50	70	39.07%
C14	Lolida Group	29-Jan-10	<b>M</b>	7	12	63.64%
			<b>F</b>	67	91	36.50%
			<b>ALL</b>	74	103	39.19%
C15	Alangore	9-Feb-10	<b>M</b>	100	54	-46.00%
			<b>F</b>	510	381	-25.23%
			<b>ALL</b>	610	435	-28.63%
C16	Hotel Cajupi	TBA	<b>M</b>	9	10	11.11%
			<b>F</b>	11	15	40.63%
			<b>ALL</b>	20	25	27.12%
C17	Ambra*	TBA	<b>M</b>	7	7	0.00%
			<b>F</b>	240	260	8.33%
			<b>ALL</b>	247	267	8.10%
C18	Meko 98**	TBA	<b>M</b>	3	3	0.00%
			<b>F</b>	157	127	-19.11%
			<b>ALL</b>	160	130	-18.75%

No.	Enterprise	CGP signed		Jan-March 2009 Average	Jan-March 2010 Average	% Average Change
	<b>January-March 2010 Totals of Average Employment</b>	<b>M</b>		325	356	9.54%
		<b>F</b>		2602	2684	3.15%
		<b>ALL</b>		2927	3040	3.86%

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
6. Program Cost Effectiveness	0	2 to 1	TBD			TBD

Program Cost Effectiveness can be calculated when at least one 12-month cycle of assistance has been delivered. Based on the recommended methodology from seven competitiveness projects in other countries, program cost effectiveness is calculated by comparing data on program costs and resultant sales in assisted enterprises.

In the coming quarters, resultant sales will be calculated using the following methodologies:

- Attributable sales increases in assisted enterprises that have signed CGPs with Rritje Albania;
- Direct increases to specific clients assisted through multi-client solutions that might not have signed CGPs with the project, for example hotels and tour operators participating in Fam Tours and Tourism B2B meetings;
- Monetization of impact of productivity improvements in industry-specific groups of companies, for example the effects of shortening the time for successfully changing patterns in the production lines of fasson manufacturers.

## 2. Trade and Investment Capacity Strengthened (PIR1)

### Trade Knowledge and Skills Improved (KRA 1.1)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
1.1 Number of firms able to use necessary information, data and other inputs to improve understanding of international market demand and competitive conditions, and the regulatory standards and other requirements for accessing specific markets.	0	20	2	28	11	37
1.1.1 Number of USG supported training events related to trade knowledge and skills	0	5	1	2	2	5
1.1.2 Number of persons trained in trade knowledge and skills	0	100	10 (2 female)	30 (12 female)	19 (6 female)	59 (20 female)

Rritje Albania supported enterprises to use necessary information, data and other inputs to improve understanding of international market demand through a series of events. The following table explains the results presented above by listing the types of assistance offered to each enterprise by project quarter. As there was no direct implementation and assistance during the first quarter of the project, Q1 and Q2 are reported together.

*Table 9 – Assistance Delivered to Enterprises during Year One*

No.	Enterprise	Location <sup>14</sup>	Industry	Q1-Q2	Q3	Q4
1	Everest I.E.	TR	Recycling	Sales & Marketing Training		
2	SAM	TR	Garment		Eddleston	
3	MAS-TORR	KO	Footwear			TABITA
4	Hotel Fieri	FR	Tourism		Quality Mark Analysis B2B Preparation	Snelson
5	Donianna	TR	Footwear			Parchman
6	NPV Int'l	KO	Garment		Atkinson	
7	Grand Hotel	KO	Tourism		Quality Mark Analysis	TABITA
8	Mito 2	BR	Footwear			Parchman
9	Picari	FR	Footwear			Parchman
10	Alba	LA	Footwear			Parchman
11	Melgushi	SH	Garment	e-match event in	Atkinson	

<sup>14</sup> BR – Berat, DR – Durres, EL – Elbasan, FR – Fier, GJ – Gjirokastra, KO – Korca, KU – Kukes, PO – Pogradec, SH – Shkodra, TR – Tirana, and VL – Vlora

No.	Enterprise	Location <sup>14</sup>	Industry	Q1-Q2	Q3	Q4
Milan preparation						
12	Silda	FR	Footwear			Parchman
13	Lolida Group	VL	Footwear			Parchman
14	Alangore	SH	Footwear			Parchman
15	Hotel Cajupi	GJ	Tourism		B2B preparation, Fam Tour	Snelson
16	Ambra	DR	Garment		Atkinson	
17	Meko 98	TR	Garment		Atkinson	
18	Albania Holidays	TR	Tourism		B2B preparation	
19	Albania Experience	TR	Tourism		B2B preparation	
20	Sava Tours	TR	Tourism		B2B preparation	
21	Sipa Tours	SR	Tourism		B2B preparation	
22	Hotel New York	VL	Tourism		Fam Tour	
23	Hotel Vlora International	VL	Tourism		Fam Tour	
24	Destination Albania	TR	Tourism		B2B preparation	
25	ATHS	TR	Tourism		B2B preparation	
26	Tirana International Hotel	TR	Tourism		Fam Tour B2B Preparation	
27	Hotel Puka	PU	Tourism		B2B preparation	
27	Attractive Travel	TR	Tourism		B2B preparation	
29	Elite Travel	TR	Tourism		B2B preparation	
30	Theranda Hotel	TR	Tourism		Fam Tour	
31	Hotel Butrinti	SR	Tourism		Fam Tour	
32	Hotel Tomorri	BR	Tourism		Fam Tour	
33	Hotel Diplomat Fashion	TR	Tourism		Fam Tour	
34	Hotel Adriatik	DR	Tourism		Fam Tour	
35	Hotel Mondial	TR	Tourism		Fam Tour	
36	Rapos Resort Hotel	VL	Tourism		Fam Tour	
37	Hotel Arvi	DR	Tourism		Fam Tour	
<b>Total enterprises supported</b>				<b>2</b>	<b>28</b>	<b>11</b>

A training event related to improved trade knowledge and skills is counted as a series of sessions for two or more participants from one or several enterprises on a specific focus/topic. The following table lays out the training sessions and people trained counted under indicators 1.1.1 and 1.1.2. The training events counted under indicator 1.1.1 include:

- Sales and Marketing Training for Everest IE staff and management (August 09);
- Strategic Market Access Training for SAM shpk management (November 09);
- Strategic and Marketing Planning for 4 garment produces (Nov-Dec 09);
- Marketing Training for hotel management at Hotel Fieri and Hotel Cajupi (January 2010);
- Strategic and Marketing planning for 7 footwear companies by James Parchman (February 2010).

Not all training was delivered through a specific training event; some was delivered in conjunction with the delivery of technical assistance. All the training delivered involved on-the-job mentoring, coaching and experiential learning methodologies. Reports from STTA include the specific topics and content covered by each training session. A series of sessions delivered by one STTA, e.g. the training that Jeanne Atkinson delivered to four garment companies was counted as one training event. Although the training took place in different locations, it followed the same format, covered similar topics as laid out in the STTA reports.

**Table 10 – Training, Mentoring and Coaching Delivered during Year One**

Enterprise	Trainer	Topic(s)	Apr – Sep09	Oct- Dec09	Jan – March10	Number of Participants		
						Male	Female	Total
Everest IE	Janaq Vllahu	Sales and Marketing	Aug09			7	0	7
Melgushi	Anila Bashllari	Preparation for e-matching event in Milan	Sep09			1	2	3
<b>Total of Participants for April-September 2009</b>						<b>8</b>	<b>2</b>	<b>10</b>
Albanian Tour Operators and Hotels	Nevila Popa/ Anila Bashllari	Preparation for Tourism B2B meetings		Oct09		8	5	13
Albanian Tourism Association	Nevila Popa	Tour Operators feedback on market access for Albanian Tour Operators at Fam Tour Debrief		Oct09		0	1	1
Sam shpk	Philip Eddleston	Strategic Routes to Market Access		Nov09		1	1	2
Melgushi	Jeanne Atkinson	Development and use of marketing materials, analysis of markets to access		Nov09		1	1	2
Meko 98						1	1	2
Ambra						2	0	2
NPV International						1	1	3
Tourism Stakeholder Meeting	Nevila Popa	Fam Tour feedback from foreign tour operators		Dec09		2	3	5
<b>Total of Participants for October - December 2009</b>						<b>18</b>	<b>12</b>	<b>30</b>
Hotel Fieri	Susan Snelson	Marketing Plan Training of reception staff			Jan10	3	2	5
Hotel Cajupi		Marketing Plan Training of reception staff				2	3	5
Alba	James Parchman	<ul style="list-style-type: none"> <li>- Design and Marketing</li> <li>- Raw Materials Sourcing</li> <li>- Product Development and Engineering</li> <li>- Manufacturing and Efficiency</li> <li>- Management and Financial</li> </ul>			Feb10	2	0	2
Alangore						2	0	2
Picari						2	0	2
Mito 2						1	0	1
Silda						1	0	1
Lolida						1	0	1
Donianna						0	1	1
<b>Total of Participants for January-March 2010</b>						<b>13</b>	<b>6</b>	<b>19</b>
<b>Year One Cumulative Participants</b>						<b>39</b>	<b>20</b>	<b>59</b>

## Compliance with International Standards Improved (KRA 1.2)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
1.2 Number of assisted firms that obtain certification with international quality control, environmental and other process voluntary standards or regulations	0	5	0	0	0	0
1.2.1 Number of trainings offered in certification with international quality control, environmental and other process voluntary standards and regulations.	0	5	0	1	2	3
1.2.2 Number of persons trained in certification with international quality control, environmental and other process voluntary standards and regulations.	0	60	0	9 (5 female)	38 (19 female) <sup>15</sup>	47 (24 female)

In year one implementation, Rritje Albania assisted enterprises that did not have a specific need for certification with international standards and regulations, such as ISO. The need for industry-specific quality control and standards was recommended by both garment and footwear industry experts. The most progress was made in the field of tourism where the USAID-developed Quality Mark standards system was introduced to the tourism industry. The training events below utilized the Bulgaria assessment form for Quality Mark adapted to the Albanian context to drive the training needs assessment for Hotel Fieri and Hotel Cajupi. The management of these tourism establishments received support by Rritje Albania’s tourism specialist and STTA Susan Snelson to understand and use international standards as the basis for all training and improvements.

### Training Events:

1. Undertook Quality Mark assessments of two hotels by Nevila Popa: Hotel Fieri and Hotel Cajupi;
2. Susan Snelson used QM Assessment results to train and mentor the management of hotels to fill the identified gaps;
3. Pre-launch/ introduction of the Quality Mark standard system to ATA members and media representatives at the 2<sup>nd</sup> Annual ATA event. Of the 120 participants at the event, 38 were ATA members that will be the object of certification through the system. The framework for an Albanian-specific assessment framework and plans for replicating the model to the Albanian setting were introduced to ATA members.

<sup>15</sup> The number of female participants is based on an approximation – exact lists of participants will be confirmed by the ATA in the next quarter.

### Use of ICT for trade-related activities expanded (KRA 1.3)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct- Dec 2009	Jan – March 2010	Year 1 Cumulative
1.3 Number of firms employing ICT to improve goods and services, to identify commercial opportunities and establish contacts with potential international business partners	0	10	1	4	2	6
1.3.1 Number of USG supported training events related to trade communications and technologies	0	5	1	1	1	3
1.3.2 Number of persons trained in trade communications and technologies	0	100	32	1	10 (2 female)	43 (2 female)

Baseline profiles completed with Albanian enterprises over year one as well as reports drafted by industry experts in garment, footwear and tourism indicated that the use of ICT for trade-related activities (to improve goods and services, to identify commercial opportunities and establish contacts with potential international business partners) includes the following activities and skills:

- Use of email to communicate with buyers and business partners;
- Use of Skype to communicate with buyers and business partners;
- Enterprise website including company profile, product list and contact info,
- Online registration for fairs and trade shows;
- Web-based B2B meetings research and set up;
- Web-based research of markets, product development, potential business partners;
- English and/or Italian speaking staff to manage the above in English/Italian.

Of the 23 companies that Rritje Albania completed a baseline profile and signed CGPs with, the following is the baseline of use of ICT according to the above tools:

*Table 11 – Status of ICT Use for Trade-Related Activities*

Industry/ Sector	Email/ Skype	Website	Trade Fair Research	Market Research
Tourism	7	5	5	0
Garment	5	2	1	0
Footwear	8	1	2	0
ICT	1	0	0	0
Recycling	2	1	1	0
<b>Total</b>	<b>23</b>	<b>9</b>	<b>10</b>	<b>0</b>

While the above numbers present a quantitative baseline of the use of ICT, qualitative assessments of the use of the above tools from various industry experts point out several challenges in the quality and utilization of the tools. The challenges include:

- the low quality of website structure and content,
- out of date information used in website,
- the need to improve communications between the management of Albanian enterprises, e.g. follow up on trade fairs through email contact;
- improved research of trade fairs and setting up meetings before hand,
- lack of use of internet to research potential markets, raw materials, access information on trade fairs and shows, etc.

Rritje Albania addressed these gaps through the following activities counted above:

1. Use of email to set up and manage B2B meetings for the Conference and Exhibition on Tourism and Real Estate in Albania in October 2009;
2. Mentor management staff of Melgushi to use e-match, an online business matching service that was the backbone of setting up B2B meetings for the Milan show in November 2009;
3. Jeanne Atkinson mentored company staff to search trade fairs and potential partners/buyers;
4. Training of Picari staff to use email and web-based search to connect with trade fair participants (to set up B2B) and organizers (to set up participation) in March 2010;
5. James Parchman mentored company staff/management to use the above ICT tools for marketing, research and managing trade relationships.

### 3. Private Sector Productivity Improved (PIR2)

During the first nine months, Rritje Albania did not implement specific activities (input/output results) that focused on technological improvements and innovations, due to the environmental waiver needed from USAID for the productivity component.

Nonetheless, because activities conducted in the other components of the project resulted in improvements across all areas of business operations, some results from other components have a positive impact on these indicators.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.1 Number of firms implementing technological innovations as a result of USG assistance	0	70	No specific implementation on this component		2	2

The main technological innovations for companies assisted in the first year of implementation were driven by recommendations from garment and industry experts Atkinson and Parchman. Their recommendations on technological improvements focused on the following changes:

- Utilization of CAD/CAM software and plotter machinery for garment companies;
- Improved organization and utilization of production lines;
- Update machinery that uses less electricity;
- Energy saving lighting schemes in footwear companies.

While the Rritje Albania advisors will continue to support companies to implement these changes, documented improvements were observed by garment expert Atkinson on her return to Albania at the end of March in at least two companies.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.3 Number of firms able to reduce production costs as a result of USG assistance	0	70	No specific implementation on this component		5	5

In addition to the above improvements that reduced the costs of production, the support from James Parchman to footwear companies resulted in connections with sources of raw materials for two of them (Donianna and Alba) and connection with a sample preparation company for Picari, that will lower the time and cost of preparing samples for the Italian and German markets.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.4 Number of assisted firms implementing good business management, marketing and governance practices.	0	70	2	8	10	17

All enterprises that received mentoring, training and support from the STTA listed in the following table have started implementing improved business management, marketing and governance practices. Table 12 lists the company and the improvement observed to date.

**Table 12 – Productivity-related Improvements Observed during Year One**

No.	Enterprise	Industry	Q1-Q2	Q3	Q4
1	Everest I.E.	Recycling	Sales Force and Marketing Plan for Domestic Market		
2	SAM	Garment		Eddleston strategic planning for strategic partnership	
3	MAS-TORR	Footwear			TABITA HRM system established
4	Hotel Fieri	Tourism		Quality Mark Analysis B2B Preparation	Snelson – Marketing Plan drafted
5	Donianna	Footwear			Parchman – improved sourcing of raw materials
6	NPV International	Garment		Atkinson – improved marketing materials	
7	Grand Hotel	Tourism		Quality Mark Analysis	TABITA – skills-based training system/ HRM system
8	Mito 2	Footwear			Parchman – delegation of production to focus on marketing
9	Picari	Footwear			Parchman – attendance of trade fairs and delegation of communications to specific staff
10	Alba	Footwear			Parchman – improved sources of leather
11	Melgushi	Garment	Improved marketing materials for e-Match in Milan	Atkinson – marketing plan/ strategy	
12	Silda	Footwear			Parchman – Improved

No.	Enterprise	Industry	Q1-Q2	Q3	Q4
					strategy for growth
13	Lolida Group	Footwear			Parchman - Improved strategy for growth
14	Alangore	Footwear			Parchman
15	Hotel Cajupi	Tourism		B2B preparation, Fam Tour	Snelson – marketing plan and improved delegation/management of staff
16	Ambra	Garment		Atkinson - marketing plan/strategy	
17	Meko 98	Garment		Atkinson - marketing plan/strategy	

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.6 Number of firms able to expand existing or penetrate new markets as a result of USG assistance	0	70	1 (Everest IE domestic sales force training)	26	9	36

All of the tourism participants in the Fam Tour 2009 (eight tour operators and four hotels in the B2B meetings and nine additional hotels visited through the Fam Tour) received information and support that enables them to expand access to incoming tourists.

Furthermore, strategic advice from STTA to the garment and footwear industries focused on specific access to trade fairs tailored to the product and capabilities of each company, enabling them to take the next steps to expand market access and explore new markets. For example, the garment industry expert supported and will continue to mentor garment companies to focus on the Scandinavian market.

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.7 Number of firms that successfully accessed bank loans as a result of USG assistance	0	5	0	0	0	0

Rritje Albania supported the dissemination of information on access to finance (loans and private equity) to over 60 companies in roundtables with the Italian-Albanian SME Development Program, a financing support project of the Italian Government.

Business advisors also referred client enterprises to banking and non-banking institutions, though these referrals did not always result in loans issued. For example, Mito 2 was introduced to Opportunity Albania through Rritje Albania’s business advisor.

### Adoption of Innovative and Modern Technologies and Systems Promoted (KRA 2.1)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.1.1 Number of training in technological innovation	0	5	0	1	1	2
2.1.2 Number of persons trained in technological innovation	0	100	0	11 (4 female)	9 (1 female)	20 (5 female)

All training sessions offered by James Parchman to the management of seven footwear companies are counted as one training event, even though they took place in seven different locations. The topics and materials covered by the training are included in the reports prepared by James Parchman for each of these companies.

Garment expert, Jeanne Atkinson, also mentored companies on the use of cutting-edge technology, resulting in improved use of technology in at least two of the companies: Ambra and Meko 98. Both companies had accessed CAD/CAM technology in different ways, respectively shared-use with another company and renting, implementing the recommendation of the expert.

### Organizational and Managerial Capacity Enhanced (KRA 2.2)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.2.1 Number of training events in business management, marketing and governance practices	0	5	1	2	4	6
2.2.2 Number of persons trained in business management, marketing and governance practices	0	50	7 (no female)	12 (5 female)	26 (11 female)	45 (16 female)

The marketing and strategic plans developed by garment experts Jeanne Atkinson and Philip Eddleston for the five garment companies in November contributed to improving their management practices. Topics covered and people trained are also reported by each expert in their company-specific and general reports to the project.

All training sessions offered by James Parchman to the management of seven footwear companies are counted as one training event, even though they took place in seven different locations. The topics and materials covered by the training are included in the reports prepared by James Parchman for each of these companies.

Training offered by Susan Snelson to the management teams of both hotels are also counted as one training event in indicator 2.2.1 as the topics covered were the same, though adapted to the specific needs of each hotel.

Finally, two training programs started in the last quarter by the local training provider, TABITA, in Korca, improved the HRM system of MAS-TORR and Grand Hotel, while the latter also received training on improved hospitality systems, management and quality control.

### Market-Driven Products and Services Increased (KRA 2.3)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
2.3.1 Number of training events in identification of and response to market opportunities	0	5	1	2	2	5
2.3.2 Number of persons trained in identification of and response to market opportunities	0	50	7 (male)	25 (9 female)	12 (2 female)	44 (11 female)

The training events delivered above are as follows by quarter:

#### April – September 2009

- Everest IE Sales and Marketing Training;

#### October-December 2009

- Sam shpk strategic training by Philip Eddleston;
- Jeanne Atkinson training to the management of four companies

#### January-March 2010

- Susan Snelson training of Hotel Fieri and Hotel Cajupi
- James Parchman training of the management of seven footwear companies
- Picari staff training for trade fair participation and follow-up

#### 4. Workforce Development Improved (PIR3)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct-Dec 2009	Jan – March 2010	Year 1 Cumulative
3.1 Number of people gaining employment or better employment as a result of participation in USG-supported workforce development programs	0	50	13 (6 female)	Counted in Q4	45 (35 female)	58 (45 female)
3.2 Number of persons completing USG-supported workforce development programs	0	80	13 (6 female)	Counted in Q4	11 (11 female)	24 (17 female)
3.3 Number of persons participating in USG-supported workforce development programs	0	100	13 (6 female)	Counted in Q4	45 (35 female)	58 (45 female)

The above standardized indicators from USAID reflect to the logical results expected from support through workforce development programs, i.e. people who gain new or better employment are able to do so after completing workforce development programs, the completion of which is contingent upon participation. However, the work Rritje Albania has done in year one has had direct and indirect results that contribute directly only to some and not all these indicators, as shown in Table 13. Specifically, the following table explains the results presented above by quarter:

**Table 13 – Participation in Workforce Development Programs**

Enterprise	April-Sep 09	Oct09-Mar10	Participant #			Indicator
			M	F	Total	
Everest IE	Sales and Marketing Training		7	0	7	3.1, 3.2, 3.3
MAS-TORR	Workforce Development Advisor designed incentive-based recruitment scheme		0	6	6	3.1, 3.2, 3.3
<b>Total Beneficiaries for April-September 2009</b>			<b>7</b>	<b>6</b>	<b>13</b>	<b>All</b>
TABITA Partnering with MAS-TORR		Participants in Pre-Employment Training Program for MAS-TORR	0	15	15	3.3
		Trainees that completed pre-employment training program	0	11	11	3.1, 3.2
		HR Toolkit pilot	1	1	2	3.1, 3.3
TABITA partnering with Grand Hotel		Competency-based Customer Services Training Program for three groups of staff	8	15	23	3.1, 3.3
Capacity Building	Program Management for HRM toolkit and Program Management	Customer service and Hospitality trainers mentored	1	5	6	3.1, 3.3
<b>Total Participants for October 2009-March 2010</b>			<b>10</b>	<b>35</b>	<b>45</b>	<b>3.1, 3.3.</b>
<b>Total Participants that Completed Training for October 09-March 10</b>			<b>1</b>	<b>11</b>	<b>12</b>	<b>3.2</b>

The additional seven participants counted under indicators 3.1 and 3.3 refer to the five female and one male trainer of TABITA, mentored, coached and able to implement improved projects (and believe to have better employment) because of the support from the Workforce Development Advisor of Rritje Albania.

The description of the above activities is elaborated in the report narrative. The competency-based training at Grand Hotel was scheduled to be completed in April 2010, with a TOT of selected key staff in each of the three categories: house-keeping, reception, and bar/ restaurant staff.

### **Effectiveness of technical/ vocational programs improved (KRA 3.1)**

<b>Indicator</b>	<b>Baseline</b>	<b>Year 1 Targets</b>	<b>Apr – Sep 2009</b>	<b>Oct- Dec 2009</b>	<b>Jan – March 2010</b>	<b>Year 1 Cumulative</b>
3.1.1 Number of pre-employment and employability programs supported	0	2	1	2	2	2
3.1.2 Number of persons participating in USG-supported pre-employment and employability programs supported	0	50	0	0	15 (all female)	15 (all female)

As elaborated in the narrative, in order to bridge the gap between workforce needs of enterprises and the available labor, Rritje Albania cooperated initially with local NGOs that already had some experience in providing workforce development support to the businesses. The focus of implementation became building the capacity of these local training providers (TABITA and a Berat-based NGO) to develop the appropriate materials (toolkits, curricula, etc.), improvement of their trainers to focus on experiential competency-based training methodologies through mentoring and sharing of best practices and Quality Mark standards, as well as program management guidance and coaching.

In year one, 15 women participated in a pre-employment program organized by TABITA. The program piloted the HRM toolkit, processes and procedures developed by TABITA, a local HRM consultant and the Workforce Development Advisor. Eleven of these women completed the pre-employment program and signed long-term contracts with MAS-TORR, effective on April 2, 2010.

### Effectiveness of technical and vocational programs improved (KRA 3.2)

Indicator	Baseline	Year 1 Targets	Apr – Sep 2009	Oct- Dec 2009	Jan – March 2010	Year 1 Cumulative
3.2.1 Number of technical/ vocational training programs supported	0	5	0	0	2	2
3.2.2 Number of persons participating in USG-supported technical/ vocational training programs	0	50	7 (no female)	0	45 (35 female)	52 (35 female)

The technical/vocational training program designed for piloting in the first year of implementation built on international best practices, addressed specific business needs and focused on sustainability through local partnerships. The three programs designed and implemented were:

- On-the-job competency-training for footwear line workers coupled with pre-employment training;
- HRM toolkit training for HR coordinators on HRM systems, processes and procedures;
- Customer service and Hospitality training, based on Quality Mark standards for tourism staff in reception, house-keeping and bar/ restaurant.