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# RRITJE ALBANIA COMPETITIVE ENTERPRISE DEVELOPMENT PROJECT

## END OF PROJECT ASSESSMENT

**February 7, 2014**

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# RRITJE ALBANIA / COMPETITIVE ENTERPRISE DEVELOPMENT PROJECT

## END OF PROJECT ASSESSMENT

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# SECTION I

## Executive Summary

From 2009 to 2014, Chemonics has implemented the Competitive Enterprise Development (Rritje Albania) project in Albania for USAID. The Rritje Albania project focuses on private sector development. As part of the final report for the Rritje project, USAID requires an assessment of the effectiveness of the project. With USAID approval, the Rritje Project developed a Scope of Work and appointed an assessment team to undertake the evaluation, consisting of Michael B. Dan, Assessment Team Leader, and Jasminka Varnalieva, Private Sector Analyst (Competitiveness Specialist).

The Rritje project is well run and has achieved most of its qualitative and quantitative objectives, overcoming many difficulties in the process. The project's emphasis and intervention logic have changed over time, and accordingly, its indicators have changed somewhat. In particular, after an interim evaluation, the project was refocused to emphasize meso-level interventions more as opposed to its initial exclusive emphasis on company level interventions. Over the course of the project, it consistently achieved most of its quantitative indicators. For FY2013, the project achieved 9 of its final 11 indicators and 10 of its 13 key results areas. In particular, the project achieved 155 percent of its final sales target for companies benefiting from the program.

The most effective component of the project was its firm-level interventions. In particular, its interventions to increase productivity in the garment and footwear sector were highly praised by its beneficiaries. The emphasis on quality and efficiency improved the performance of the companies very significantly and made them so competitive that they could consider other market options than being subcontractors for the Italian industry, and many of them could partially convert to more profitable full cycle production.

The support for improved marketing for the footwear and garment makers was also highly appreciated by the beneficiaries. The project essentially took the companies from a very early stage, where many of them did not even have business cards or essential printed marketing materials to being able to effectively market themselves at industrial fairs. The project converted many of the companies from being fasson subcontractors, making only part of a product to being able to make an entire product either under its own brand or as private label. In some cases, this support also included design assistance for some of the smaller companies.

The workforce development component worked well. The IT industry particularly appreciated the internship program. The footwear and garment companies were more ambivalent about the internship program. The training activities were universally appreciated.

The meso-level activities were also effective. In the area of certification, the project assisted IT companies in achieving the IT Mark certification, and introduced and established the hotel rating system Authentic Albania Quality Mark (AAQM), both of which were highly effective and appreciated by the beneficiaries. While the project has supported AAQM extensively, there remains some doubt as to its long-term sustainability, as the Albanian Tourism Association (ATA) does not represent the entire industry.

The grants program of the project has worked well. It has supported the introduction of new technology in the enterprises and industries and the contribution of the project was accompanied by substantial investment from the beneficiaries.

The project activities with associations was successful with the Albanian IT Association (AITA), but less so with footwear and garment producers and tourism companies, as it was not possible to generate support for one association in each industry. AITA is now sustainable and is working well with PROTIK, a public private partnership (PPP) supported by the project to encourage the use of IT. The project did not directly support associations but used them to achieve project ends.

Working groups were successful as a substitute for one united association of footwear and garment makers and as a unifying force for promoted intellectual property rights, and both working groups are likely sustainable.

Building on work and success of Rritje Albania, donors could implement a wide array of projects, principally supporting exports of footwear and garments and supporting the role of universities in work force development either specifically for Albania or on a regional basis.

## Outline and Introduction<sup>1</sup>

Consistent with the Scope of Work<sup>2</sup> for the evaluation, this assessment team structured the assessment in the following sections:

- Background
- Methodology
- Accomplishment of project objectives
- Effective approaches to helping target firms and meso-level institutions overcome barriers to trade and investment, productivity, and workforce development
- Recommendations for future donor programming in promoting competitiveness in the target sectors

## Background

It is naturally useful to look at the success factors for the project to serve as lessons learned for other donors as they program new donor projects and initiatives. Moreover, it is useful to assess the success of the project, per se, particularly, in view of the changes in the project scope that have taken place over time. This assessment also fulfills a contractual requirement.

At the time of the design of the Albania Competitive Enterprise Development (CED) project in 2009, the Government of Albania (GoA) and donors' focus on the development of competitive SMEs – both existing and start-up – was considered an appropriate strategy to promote sustained, broad-based economic growth. “To increase competitiveness and promote growth, Albania must come up with innovative approaches (and less replication) and/or production based on low labor costs. Enterprises need to: (1) respond to end market demands through improved products and processes; (2) continuously invest in human and capital resource development; (3) develop more efficient organizational structures within firms and value chains; and (4) improve production to marketing linkages within enterprises and address cross-cutting constraints that affect related businesses.”<sup>3</sup>

The initial scope of work therefore focused on firm level intervention. This was also consistent with the strategic thoughts on intervention at the time<sup>4</sup>. In a country at the early stage of development with limited government capacity, and little if any confidence in government from business, the appropriate intervention locus is the firm level.

The goal of CED was to enable Albanian private enterprises in selected regions to expand their businesses and improve competitiveness, thus contributing to the country's continued, broad based economic growth. Its main objectives were to support the sustained growth of nonagricultural enterprises, increase household income and create profitable employment by

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<sup>1</sup> To make this report as accessible and easy to read as possible, the reader can read this report without consulting foot or endnotes; the report does not use footnotes with the exception of this note. For references, including to the Scope of Work for this assignment, etc. the authors use endnotes, which are solely for the reader with an interest in delving deeper into the source material at hand.

<sup>2</sup> Please see attachment A.

<sup>3</sup> See (Kirkbride and Nathanson 2012)

<sup>4</sup> See (Snodgrass and Winkler 2004)

developing and strengthening the competitiveness of existing enterprises and start-ups in targeted regions of Albania. The project would achieve these objectives through three component areas of intervention:

1. Strengthening trade and investment capacity.
2. Increasing enterprise productivity
3. Improving workforce development.

As originally conceived, CED worked with entrepreneurs, investors, and other stakeholders involved in selected sectors and firms within those sectors to identify constraints to competitiveness. Once identified, the project brought a mix of technical assistance, training, targeted grants, and linkages to financing to help remove these constraints.

The main emphasis of the project was to improve competitiveness at the enterprise level as measured by two key impact indicators: increased sales and jobs. The objective of CED was to increase the sales of assisted companies by USD 98 million based on a much larger number of companies to be assisted than was agreed in a subsequent revision. The original objective was to reach 200 enterprises in the total portfolio of assisted enterprises with an increase in sales in Years 4 and 5 of the contract. This was subsequently amended to 135 in fiscal year 3 and 155 in fiscal year 4, without changing the value of the total increase. The slow start up meant that fewer firms were assisted at an early stage of the project, leaving less time for to achieve the objectives over the life of project.

The original project contract directed CED to focus on two areas:

1. Assist both start-up firms and downstream/upstream extension by existing enterprises that will emerge to take advantage of opening markets and increase domestic incomes over the life of the project. The project actively searched out start-ups and companies with high-growth potential to provide the demand-driven support needed to generate sustainable new income and jobs for Albanians. However, it was proven difficult for the project to find start-up firms with the growth potential that exists with more established firms.
2. Deploy a substantial part of its resources at the firm level and only secondarily at constraints that are hindering the development of more competitive enterprises at the meso and macro levels of the targeted sectors.

However, even before the adoption of the current CDCS (Country Development Cooperation Strategy), which mandates a shift toward higher-level interventions, the project was already beginning to identify opportunities for industry-level impact through meso- and macro-level interventions in the tourism, garment, footwear, and ICT sectors when such changes benefited firm-level competitiveness and/or fostered sustainable partnerships that supported industry growth.

In 2011, USAID published its strategy (CDCS)<sup>5</sup> for 2011-2015, which emphasized meso-level initiatives to improve the business environment. In particular, Development Objective 2 (DO # 2) stated as follows:

*DO#2, conditions created for broad-based, sustainable, and inclusive economic growth:* This DO will focus on putting in place those reforms and regulations that will lead to a better business environment, more competitive micro-, small-and medium-sized enterprises (MSMEs), and a stronger financial sector. Improved dialogue between the GOA and the private sector will be encouraged through working with chambers and associations in order to identify and remove constraints to doing business. Effective use of public private partnerships (PPPs) will help to fill a serious resource gap in the country while addressing infrastructure (energy, roads, ports, etc.) and other

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<sup>5</sup> (USAID Albania 2011)

constraints, for example in agro-marketing. Carefully targeted technical assistance to the financial sector will further strengthen regulatory authorities.

Partly in response to this change in country strategy, USAID undertook a mid-term evaluation of Rritje Albania<sup>6</sup>. The Mid-Term Evaluation team recommended that USAID shift in focus to align the project with the country strategy for 2011 to 2015 with a much stronger emphasis on meso and macro measures to improve the business environment, which included working with the Government, business associations, and chambers. For example in the tourism sector, on the macro level, the Mid-Term Evaluation recommended re-engaging with the working group to propose a new tourist law and working with the National Tourism Agency (NTA) to develop an action plan to implement the tourism strategy. On the meso level, the evaluation suggested helping the Albanian Tourist Association (ATA) and the NTA to link national-level tourism activities with municipal strategies. The Mid-Term Evaluation also made extensive recommendations to revise the performance oriented results network to make it clearer and to reflect its recommendations in change of strategy.

As a result of the Mid-Term Evaluation, USAID and Chemonics reviewed the recommendations of the evaluation team and agreed upon the project's focus going forward by signing an amendment. The amendment did not change the approach in the scope of work for the project, but it led to a revision of the indicators, some of which directly measured meso-level changes or efforts.

## SECTION II

### Methodology

We followed the standard method of evaluating a project, including desk research, review of performance statistics, and targeted interviews and focus groups, as discussed below.

#### A. Desk Research

The assessment team had three days to review reports and other materials before starting the evaluation, and continued to review reports and other materials during the assessment period. We have listed all of the materials reviewed in the Bibliography on page 20.

#### B. Review of Performance Statistics Collected by the Project

The Project has an excellent web-based online database of performance statistics, which it regularly uses in periodical reports, cf. e.g. the 2013 annual report<sup>7</sup>, and to which USAID has access. Generally, the project collects performance statistics quarterly. This assessment report will use the most recent performance statistics from the end of September 2013 for more detailed analysis, but also provide a summary analysis of the performance achievement for the full project period. These performance statistics for FY 2013 reflect the most recent change in indicators following the Mid-Term Evaluation to reflect more emphasis on meso-level activities.

The team reviewed the current performance data and data collection procedures and found them to be consistent with best practice. Throughout this report, we will refer to this data. If we make no specific reference, we refer to the most recent FY 2013 performance statistics.

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<sup>6</sup> (Kirkbride and Nathanson 2012)

<sup>7</sup> See (USAID Rritje Albania/CED October 30, 2013)

## C. Targeted Interviewing and Focus Groups

Together with the Project, the evaluators developed an interviewing and focus group plan. The objective of the plan was to get broad exposure to the three types of activities of the project across all four target industries (Garments, Footwear, ICT, and Tourism). The assessment team interviewed 48 companies as compared to the 35 foreseen in the Scope of Work. We provide an overview of the interview and focus group effort in Exhibit 1.

**Exhibit 1. Overview of Interviews and Focus Groups**

<b>Category</b>	<b>No.</b>
<b>Companies</b>	<b>33</b>
Foot Wear	6
Garment	9
ICT	6
Tourism	12
<b>Institutions</b>	<b>15</b>
Universities	5
IPR	3
ICT Institutions	2
Tourism Institutions	2
Garment and Footwear Institutions	2
Other Meso Institutions (FIAA)	1
<b>Total</b>	<b>48</b>

Note: (i) In many meetings, there were multiple participants.  
(ii) In addition, we met the following 7 members of Rritje Albania's Staff, some multiple times.  
(iii) For a list of all interviewees, see attachment C.

## SECTION III

### Accomplishment of Project Objectives

#### A. Achievement of Quantitative Targets<sup>8</sup>

The project is well run, and it achieved all of its qualitative objectives. Over the course of implementation, the indicators of the project have changed. The project operates with a quantitative results framework that includes four categories of results as follows:

1. Impact indicators as measured by indicators related to sales and jobs growth.
2. PIR 1: Trade and investment improvement as measured by PIRs (project intermediate results) and KRAs (key results areas).
3. PIR 2: Private sector productivity improvement as measured by PIRs and KRAs.

<sup>8</sup> This section is intended to cover questions 1 (a) through 1(c), 1 (e), 1 (f) in the Scope of Work.

4. PIR 3: Workforce development as measured by PIRs and KRAs.

The number of criteria used for each of the four categories of results outlined above has changed over the life of the project.

Overall for the full project period, apart from a difficult first year, the project consistently met most of its quantitative targets, see Exhibit 2 below:

**Exhibit 2. Project Achievement of Quantitative Targets**

<b>Reporting Year</b>	<b>2010*</b> (3/18/2009-3/31/2010)	<b>FY2011</b> (10/1/2010-9/30/2011)	<b>FY2012</b> (10/1/2011-9/30/2012)	<b>FY2013</b> (10/1/2012-9/30/2013)
<b>Impact indicators</b>	N/A*	3 of 4: 75%	2 of 4: 50%	3 of 4: 75%
<b>PIR 1 and KRA 1</b>	2 of 9: 22%	9 of 9: 100%	7 of 7: 100%	6 of 7: 86%
<b>PIR 2 and KRA2</b>	2 of 13: 15%	7 of 8: 88%	7 of 8: 88%	5 of 8: 63%
<b>PIR 3 and KRA3</b>	3 of 7: 43%	5 of 5: 100%	5 of 5: 100%	5 of 5: 100%
<b>Average</b>	7 of 29: 24%	24 of 26: 92%	21 of 24: 88%	19 of 24: 79%

Notes: (i) For each area, we have simply added PIRs and KRAs to achieve a total number of objectives.

(ii) A contract modification in Yr2 changed the reporting year from a contract year to Fiscal Years starting FY2011

Indicators related to sales and jobs could only be calculated when you compare 12 months of sales and jobs reports after assistance begins to the 12 month baseline before the project started assisting the firms. Therefore, it wasn't possible to report on changes in sales and jobs at assisted enterprises in year one until more time passed. See page 65 of Year One annual report.

Source: Project Annual Reports

In fairness, apart from 2010, in most cases where the project did not fully meet the objective in Exhibit 2 above, it was close, and in many cases the project would overachieve the objectives set, cf. the discussion below for FY 2013. 2010 was the first full reporting year of the project, and the lack of achievement reflects the difficulties at start up as well the more general difficulties achieving project indicators in the first year of a project.

In the following discussion, we focus on the final indicators for the final full year of the project, FY 2013, which apply both for FY 2012 and 2013. As mentioned previously, the project maintains complete performance statistics, which will be discussed exhaustively elsewhere in the final report. In this assessment report, we will summarize and discuss the indicators as they relate to our observations in the field. For convenience, we have attached a copy of the performance statistics for the project in Attachment E.

## **B. Impact Level (Sales, Exports and Jobs)**

The Rritje project achieved three out of four main indicators in this category for FY2013. The project achieved sales, export, and job indicators, but did not achieve the indicator for the number of assisted enterprises to have increased sales, which was 45 percent below target. The principal reason was that the tourist season did not live up to expectations and had less business

than anticipated. Another reason was the shift of the project's focus after the Mid-Term Evaluation recommended only working with fewer companies in the following manner:

“However the evaluators believe that some degree of firm-level assistance should be maintained but only to key companies within each sector who could provide the greatest multiplier effect from this continued technical assistance. “

However, some of the other impact level indicators are far above target, e.g. change in sales for assisted enterprises by 155 percent as in exports of 50 percent as compared to the baseline. These achievements are impressive per se, but even more impressive is the positive change in behavior in each sector that underlies them. The project contributed significantly to the genesis of a sustainable development trajectory to increase sales as detailed in the following.

- **Footwear.** Most of the footwear companies have embraced production planning, quality control and international marketing through fairs. The more advanced companies plan to continue to improve and to market their shoes at international fairs.<sup>9</sup> Most of these companies have come a long way since the beginning of the project, and many of them have developed their own private label products either for export<sup>10</sup> or brand for sale in the local market.<sup>11</sup>
- **Garments.** Again, garment companies have embraced production planning, quality control and international marketing through fairs. The more advanced plan to continue to improve and to market their shoes at international fairs. Several of the companies interviewed had not achieved concrete sales at an international fair, but all felt that they knew how to approach an international fair and how to prepare and sell their goods<sup>12</sup>. Most of the companies we spoke to had converted from all fasson to include some full cycle production. This is work in progress and we would expect this to continue due to the compelling economic logic, cf. the following statement by a shirt manufacturer.

“My profit would be better with 100,000 full cycle shirts than a company with 700,000 fasson shirts. Sometimes the relationship is 10 to 1. With fasson 50 Euro cents profit, and with own brand EUR 5, and we still sell at prices 30 percent lower than the Italians”<sup>13</sup>.

The companies interviewed had nearly all made progress towards conversion from fasson to full cycle production and had a somewhat higher growth rate than all the companies assisted in the sector, 50 percent vs. 35 percent for the sector, confirming the appropriateness of this strategy<sup>14</sup>. Several of the companies interviewed were in the process of planning expansion and additional facilities<sup>15</sup>.

- **Tourism.** This is the only of the four sectors that did not meet the FY 2013 target. Actually, tourism sector sales are down, but this reflects two opposite trends. Most of the tour operators assisted by the project had large increases in sales, whereas many hotels have faced declining sales. Thus, we sensed a profound optimism in the sector, particularly from the tour operators, which were highly encouraged by the National Geographic Initiative and the prospect for regional tourism.<sup>16</sup> While most tour operators realize the potential in Albania for mass tourism and thus significant growth in sector sales, this is not the strategy at this point, and most believe that mass tourism cannot occur until property rights on the coast have been legally clarified and thus allow major foreign hotel builders and chains to enter.

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<sup>9</sup> As documented in interviews with Fittal (December 4, 2013), Hotova (December 7, 2013) and Picari (December 6, 2013).

<sup>10</sup> Skender Pashaj, Fital, Owner/Manager on December 4, 2013.

<sup>11</sup> Interview with Elvis Hotova, General Manager, Hotova on December 7, 2013.

<sup>12</sup> Interviews with Madison Avenue on and Omega on.

<sup>13</sup> Interview with Flamur Hoxha Owner/Manager, Kler shpk on December 4, 2013

<sup>14</sup> Report writers' analysis based on project performance data.

<sup>15</sup> Interviews with Erjola Zerani General Manager, OLA1 on December 11, 2013 and with Zejni Musaj, General Manager, Picari on December 6, 2013..

<sup>16</sup> Interviews with Auron Expeditions on December 6, 2013.

- **ICT.** This sector is mainly targeted towards the Albanian market in the public and financial sectors and these seem to be stable.<sup>17</sup> The IT and sector companies that have been given grants to produce sector solutions, garments and tour operators, are quite optimistic about their prospects for future sales being derived from these sector solutions, spurring on additional sales growth.

The Project met its job creation objective, and the positive sales trajectory for most of the sectors discussed above is likely to continue to generate jobs, albeit perhaps at a somewhat lower rate, as enterprises in the footwear, garment and tourism sector introduce more technology to continue to lower costs and remain competitive.

### C. Trade and Investment Capacity Strengthened (PIR 1)

The project achieved three out four indicators in the Trade and Investment Capacity Strengthened category. It met the indicators for companies being able to access markets (PIR 1.1), use of ICT (PIR 1.3), and number of policy reforms (PIR 1.4). Moreover, the project achieved all the key results areas, mainly related to training and capacity building. However, the indicator, “Number of assisted enterprises that obtain certification with international quality control, environmental and other process voluntary standards or regulations” (PIR 1.2) was only 45 percent met (FY 2013). In large part, the issues associated with AAQM certification (Authentic Albanian Quality Mark) and the sustainability of the program have likely contributed to this. Only seven hotels joined AAQM in FY2013 as against a forecast of 30 + and plenty of applications for assessments to be conducted. If the project had conducted 30 assessments, it would have achieved the objective. Unfortunately in FY 2013 ATA resisted charging full cost recovery fees for assessments, and this limited the number of assessments that the project could undertake. The ATA has since agreed to do so based on a strong demand from hotels to join AAQM and from hotels to be reassessed, and this will result in a significant increase in assessments.

There is currently a plan in place to continue AAQM program, but it remains uncertain whether it will be successful and very much depends on the Albanian Tourism Association. ATA has not been able to establish itself as the only tourism association.

Moreover, there seems to be little demand for certification from the garment and footwear industries, e.g. ISO 9000, 14000, etc. This never appeared as an important issue in the interviews conducted.

The IT companies appreciated the IT Mark, which is essentially a standardization and documentation standard. Most of the IT companies had not derived any material benefit from it at this point. This is mainly because the Albanian Government, one of the key buyers of ICT services, does not always know what it is, and even if it is required for a contract, the government does not check that the companies actually have this certification.<sup>18</sup>

### D. Component Private Sector Productive Capacity Increased (PIR 2)

The project achieved all the indicators related to public private dialogue (PIR 2.1) and the improved management practices in enterprises (PIR 2.2). It did achieve the key results areas related to public private dialogue and training (KRA 2.1.1, 2.2.2 and 2.2.4), but did not achieve three of the key results areas as follows.

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<sup>17</sup> Cf. focus group discussion with Albanian IT companies on December 6, 2013, including Gjergji Guri, Manager, Facilitation Shpk, Romeo Sherko, Owner/Manager, IKubInfoSoft, Erjola Mimani, IT Project Manager, InfoSoft Software Developer and Elvis Spada, Project Manager, Intech+

<sup>18</sup> IT focus group.

1. Number of enterprises receiving USG assistance to improve management practices or to invest in improved technologies (69 percent met – FY 2013 – KRA 2.2.1).
2. Number of persons trained in good management practices and improved technologies (93 percent met – FY 2013 – KRA 2.2.3).
3. Number of enterprises receiving USG assistance to access bank and non-bank finance (14 percent met – FY 2013 – KRA 2.3.1).

While the first two items in the list above are close to achieved, the project was relatively far from reaching the number of enterprises receiving USG assistance to access financing.

The project conducted multiple activities in this area including organization of the Balkan Venture Forum and a series of trainings on finance to educate entrepreneurs on financing alternatives. There may be a significant amount of underreporting in this category, as the project was not a direct part of the deals being made as an advisor. The project will always have difficulties measuring the number of deals that have been made, as the association between training and the conclusion of deals is weak. This is why the companies may not report the financing to the project, resulting in significant underreporting.

## E. Workforce Development Improved (PIR 3)

The project achieved all indicators and key results areas in this category, including the indicator for new or better employment (PIR 3.1), and the key results areas including:

- Number of pre-employment, vocational and technical training programs supported. (KRA 3.1.1).
- Number of persons participating in USG-supported pre-employment, vocational and technical training programs supported. (KRA 3.1.2).
- Number of persons participating in USG-supported workforce development programs. (KRA 3.1.3).
- Person hours of training supported in workforce development supported by USG assistance. (KRA 3.1.4).

Another key feature of the project has been the large number of activities conducted by the project for its recipients on an ongoing basis, for example in FY 2013, the project held 99 technical project events.<sup>19</sup>

## F. Qualitative Considerations

Based the field work, we could draw the following conclusions about the project's activities:

- Client companies highly praised the firm level assistance.
- The meso assistance worked well.
- The project overcame significant problems and challenges

We will comment further on these conclusions in the following.

### F.1. Firm Level Assistance Highly Praised

The project implemented firm level assistance in five ways:

1. Support for increased productivity
2. Support for improved marketing
3. Support for work force development
4. Support for certification
5. Grant program to support access to new technology

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<sup>19</sup> See FY 2013 Annual Report, Page 14.

### F.1.a. Support for Increased Productivity

In the garment sector, this support took the form of Productivity Enhancement Program (PEP), which was a technological upgrading program consistent with the World Bank recommendations<sup>20</sup>. This included a series of training and the implementation of a toolkit consisting of 15 key performance indicators (KPI). These performance indicators measured different aspects of productivity and quality and thus allowed the client companies to measure and monitor their progress. This program included more than 30 companies. The format of PEP was to start with round table trainings to any company wanting to attend and then proceed with specific consulting assistance to each of the participants in the program.

All the garment companies visited by the assessment team expressed their high appreciation for this assistance. The consultants selected to support the companies were appropriately skilled with both planning and management experience and specific production experience that allowed them to actually show the client companies how to implement productivity enhancing measures. All of client companies visited by the assessment team continue to use PEP and the accompanying KPIs<sup>21</sup>. A previous survey states that more than 70 percent of companies trained used KPI<sup>22</sup>. In general, the program was most effective with the companies that were least skilled when the project introduced PEP. Less experienced companies told the assessment team that productivity for certain processes had increased by more 100 percent. More experienced, larger companies had lower productivity increases, reflecting their greater sophistication because of the training and instruction from their mainly Italian customers. This is consistent with patterns of productivity programs the assessment team has observed elsewhere.

In general, as also indicated in the quote from the Mid-Term Evaluation, a project should work with leading companies in a sector, as this leads to the largest multiplier effect. At the planning stage, it is difficult to gauge the variation in sophistication in an industry, and perhaps, the project should have targeted the more sophisticated customers. However, this reflects that the project started working with small enterprises. Moreover, in this case, many of the less sophisticated companies could not have accomplished the transformation from CMT<sup>23</sup> (Cut, Make and Trim). Therefore, the project achieved significant results with the chosen emphasis, as also reflected in the significant increase in sales for the garment companies assisted by the project.<sup>24</sup>

In the footwear sector, the project also provided PEP assistance for both manufacturing and design improvement. The format of the assistance was tailor made consulting assistance to each company.

The companies were highly appreciative of this assistance<sup>25</sup>. In general, the productivity and quality aspects of program were most effective with the companies that were least skilled at the start of the program. The smaller companies also benefited from the design aspect of the project<sup>26</sup>. Larger companies benefited principally from the design aspect of the project. However, many of the larger footwear companies are so sophisticated that they have already started outsourcing design work for their collections to Italian design studios. Therefore, they are in a good position to supply the Italian market with principally private label products. These

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<sup>20</sup> See (World Bank 2009) p. 27.

<sup>21</sup> Cf. interviews with Bujar and Rezarta Dervishi, Owners/Managers, Madisson Avenue on December 3, 2013 and Xhemal Bexulli, Owner/Manager, Ambra Oli Pero on December 6, 2013.

<sup>22</sup> (Spahija and Shehi 2011)

<sup>23</sup> Generally, called fasson or inward processing production in Albania.

<sup>24</sup> This was mentioned in many interviews, for example Anton Radovani, General Manager Bettoni, on December 5, 2013 and Genci Gellci, Mas-torr, Owner/Manager on December 9, 2013

<sup>25</sup> This was a nearly universally shared view by all the companies and thus mentioned in all interviews, e.g. interviews with Anton Radovani, Manager, Berttoni on December 5, 2013 and Elvis Hotova, General Manager, Hotova on December 7, 2013.

<sup>26</sup> Particularly a company like Hotova.

companies do not have this type of experience outside of the Italian market. Smaller companies have also successfully started private label like Fital<sup>27</sup> or their own label production, but mainly for the Albanian market, and we saw several successful examples of this like Hotova<sup>28</sup>.

### F.1.b. Support for Improved Marketing

Initially, the project started its marketing support for most of the client companies by providing basic marketing materials such as business cards, brochures, catalogs and company profiles. This reflected the very basic level of marketing operations of the client companies: in many cases, in the garment and footwear sectors, companies completely relied on the CMT business model. Many companies visited by the assessment team had only one customer, who had helped in the start up phase of the company and accounted for 100 percent of sales since business inception. Such companies were simply not prepared or oriented towards marketing and the active acquisition of new customers.

Following the provision of marketing materials, the project proceeded to support client companies building their own websites. This was a complete novelty in Albania.

The client companies visited very much appreciated these first marketing efforts. They simply had not thought about such steps, and often the companies gave us business cards that the project had helped them develop.

As a result of the quality and productivity improvements made by the companies in footwear and garment sectors, they were increasingly getting more competitive vis-à-vis other suppliers to the European market. They were therefore in a position to diversify their customer base beyond Italy and to adopt a more sophisticated business model, moving from CMT into full cycle production. At the request of the companies assisted, the project developed the BYOB (Build Your Own Brand) program. Thus, in production, the project delivered assistance to the companies in design, sourcing, and pattern making. The more sophisticated footwear and garment makers assisted were able to develop, produce and introduce their own brands into the market or offer a full cycle product. The less sophisticated were able to produce private label products using a full cycle approach.

The project started assisting both the footwear and garment producers in targeting and acquiring new customers. Some of these customers were in the Italian market and others were in new markets, where the price plays a lesser role compared to quality and flexibility with respect to the short turn-around of small orders. The project assisted the companies in the following four ways:

1. Preparation of the companies to participate in industrial fairs. To gain customer interest, the project introduced the Made in Albania concept, where all the client companies in one sector would exhibit together in one booth (branded Made in Albania). This feature was universally praised<sup>29</sup>. The project consultants assisted the companies in developing collections and contacting potential buyers to set up appointments at the industrial fair in question.
2. Participation in industrial fairs. The project assisted the companies in the footwear sector participate in an industrial fair in Milan, Italy in 2013, and the companies in the garment sector in Dusseldorf, Germany, Copenhagen, Denmark and Moscow, the Russian Federation.
3. Follow up on the industrial fairs to realize orders. Many companies had participated in fairs before as visitors. However, with the assistance of the project, for the first time, they participated with their own collection and their own shared stand space, as they shared a Made in Albania stand. Some of the companies visited received trial or small orders in these fairs. A larger number established contact with potential new customers from

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<sup>27</sup> Interview with Skender Pashaj, Fital, Owner/Manager on December 4, 2013.

<sup>28</sup> Interview with Elvis Hotova, General Manager, Hotova on December 7, 2013.

<sup>29</sup> This was mentioned by nearly all companies.

various markets that they can exploit in future. One of the companies participated in a subsequent fair in Russia and succeeded in setting up show room Moscow, Russia<sup>30</sup>.

4. Their participation in the fairs had encouraged most of the companies interviewed to participate in subsequent fairs, and the footwear companies are currently organizing to participate upcoming Riva del Garda fair in January 2014. The companies realize that they must participate in multiple fairs and follow up in order for this marketing activity to have a long-term beneficial impact.
5. Contact to agents. The project facilitated contacts to agents to gain entry into new markets. The project was particularly successful in the Scandinavian market, where several companies succeeded in setting up a showroom in Sweden<sup>31</sup>, where they are exhibiting their new collections.

A key feature of the marketing interventions was their appropriate staging and sequencing. They started with simple marketing tools like business cards and other basic marketing materials and moved to assistance with fair participation. Initially, the beneficiaries had very limited understanding of marketing and few tools available and business cards and marketing materials were appropriate. As the beneficiaries grew in their understanding of marketing and their marketing needs, the project provided more sophisticated assistance adjusting the input according to the needs of the beneficiaries.

The project also supported a broad array of activities in marketing for the tourism sector. This included development of websites, B2Bs, publicity materials, participation in trade fairs and similar activities. These efforts were successful, but nearly universally, the key marketing activity mentioned in the interviews were related to the National Geographic website.

The project supported AITA and the companies in the ICT business in marketing, e.g. by supporting the participation in CEBIT, and this has successfully developed the capacity to participate in industrial fairs. However, as clearly elucidated in the focus group for ICT, the industry per se is not export oriented. It is more interested in getting inputs from foreign companies.

### F.1.c. Support for Work Force Development

The project offered programs to facilitate companies employing interns in a more structured way in garments, footwear and ICT. The companies interviewed considered the training and internship programs effective.

The IT companies were particularly impressed with the internship program. The experience in the garments and footwear sectors was more mixed with some companies mentioning the difficulties of integrating the interns in the manufacturing environment while others appreciated particularly the contribution of their interns to the design of their products. Across the sectors, the companies offered many of their intern jobs following the internship.

The project has been an instrumental force in establishing the public private partnership, The Project, Albanian Government, USAID, AADF, Microsoft, Cisco and Altelecom established Protik. , Protik is an ICT Resource Center that targets all parties interested in the ICT industry. PROTİK has been helpful in implementing the internship program in ICT as well as functioning as a training and marketing center for the ICT industry.

The project offered training in the tourism sector in collaboration with CBI (Centre for the Promotion of Imports from developing countries) from the Netherlands and from EBRD. The companies interviewed considered the training very useful. Also, the project structured the AHEI certification program for both new graduates and industry employees, which has just been started, but most industry participants have high hopes for the future.

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<sup>30</sup> Interview with Oli Pero, Sourcing Manager, Bella Konfex on December 5, 2013.

<sup>31</sup> Interview with Flamur, Hoxha Owner/Manager, Kler shpk on December 4, 2013

The support for PUT and the VET school curriculum enhancement has led to significant improvement for the garments and footwear sectors as well by improving the knowledge both of the university and the resulting graduates in the areas of PEP and CAD/CAM.

Finally, the project has helped develop career offices in the universities, which have led to an increased emphasis on the market for university graduates and internships. These offices are well integrated in the universities and sustainable.

#### F.1.d. Support for Certification

The project offered certification programs in the hospitality and ICT industry as follows:

- Hospitality certification. Based on similar programs elsewhere, the project developed a certification standard for hotels and trained a number of assessors to implement it in collaboration with the ATA (Albanian Tourism Association), resulting in the AAQM certification program (Authentic Albania Quality Mark). The hotels interviewed found the certification highly useful to assess their current operations and to identify potential upgrading possibilities. Most of the hotels had very little knowledge of hotel operations and certification before the implementation of the program. Moreover, they had limited knowledge of the expectations of Western European hotel guests. Accordingly, the hotel owners and their staffs upgraded their knowledge significantly in the process of certification<sup>32</sup>.

The process of certification provided the assessors with unique access and contact with the hotels. All of the assessors are now hospitality consultants, and this program resulted in significant consulting opportunities for them now and in the future. In a culture that is not used to using consultants, this is a significant step forward.

When project started the implementation of AAQM, few of the booking sites like booking.com and tripadvisor.com were active in Albania. For this reason, initially, the AAQM program provided important consumer information, as there was uniform quality standard for hotels in Albania. With advent of the booking sites, the project would likely approach certification differently if implementation had started now. While in interviews, the assessors continue to stress the value of AAQM for consumers; most foreign tourists do not know the AAQM program. Accordingly, we believe that the main value of the program is the education of the hoteliers. If implemented today, the use and promotion of hotels on booking websites would be an integrated part of the program, and complemented with training in international standards for hoteliers.

A second element in hospitality certification is the American Hotel and Lodging Educational Institute (AHEI) program for undergraduate students seeking a bachelors diploma in tourism at the University of Marin Barleti and an AHLEI program implemented by the Destination Management Organization (DMO), a local NGO, to offer hospitality certification training for professional workers in the tourist industry. This has just started, but this is expected to be a sustainable platform for providing certification and education in the tourism industry.

- IT Mark. The project helped IT companies receive the IT Mark certification, which inter alia includes international documentation standards and is often required in western countries as well as in many government tenders. The IT companies interviewed expressed satisfaction with the certification. Most of them had yet to work on projects where it was required but expected to do so in the near future. Most of the companies principally sell to Albanian customers, who are less aware of IT mark. Generally, the Albanian government

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<sup>32</sup> Focus group on AAQM including Klodiana Collaku, Deni Guga and Franka Paloka, who are all AAQM Assessors on December 12, 2013 and with Mimoza Shuli, Owner/Manager, Hotel Perla on December 9, 2013.

requires certifications like IT Mark, but government officials do not check that the certification of companies actually exists<sup>33</sup>.

### F.1.e. Grant Program to Support Access to New Technology

The grant program complemented the technical assistance by supporting companies acquire or develop assets to implement significant technical change, e.g. purchase of machinery, training and software licensing or development of software. In many cases, the grant program was the trigger for significant additional investment in new technology. The grant program had a significant 50 percent cost share, and the project had established a systematic approval procedure for the grants.

All the grantees interviewed found the grants extraordinarily helpful<sup>34</sup>. The project gave grants to companies for development of software solutions that could benefit an entire industry, e.g. ERP and ecommerce systems for footwear and garments and DMO systems for tour operators<sup>35</sup>. The companies have only finished these systems quite recently, close to the end of the project. While the grantees have high expectations for the marketability of these systems and are already marketing these systems, only one company in each industry generally has implemented them at this stage. It is too early to judge the results of these efforts.

USAID did not change the grant program because of the Mid-Term Evaluation, and it remained a company oriented grant program. While the project gave 5 out of 20 grants to the destination management organizations and artisans' organization, conceivably, the grant program might have supported the overall meso project activities better, if USAID had redirected it to the meso level along with appropriate technical assistance.

## F.2 Meso Level Assistance Worked Well

### F.2.a. Work Force Development

The project has completed implementation of two workforce development programs in addition to the training mentioned above:

1. Workforce development (career based university programs) resulting in the creation of career offices at 5 universities and adopting a market oriented approach to career development. This worked best at University of Tirana, but still very well at other universities. Universities have been pleased with career programs and endeavors to improve industry-university and VET school collaboration.<sup>36</sup>
2. CAD/CAM program to assist PUT and 3 VET schools to teach garment design courses in response to stated garment industry needs for local designers. The project worked together with private suppliers and delivered computer equipment, software along with upgrades and training. PUT and the VET schools highly appreciated this additional

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<sup>33</sup> Cf. our focus group with the IT companies and our interview with Dritan Mezini, Director, DM Consulting/AITA.

<sup>34</sup> Cf. interviews with Genci Gellci, Mas-torr, Owner/Manager on December 9, 2013, Lindita Legisi, General Manager, Omega on December 4, 2013; Iris Batalli, Business Developer and Erita Skendaj, Head of SW Department, Communication Progress on December 3, 2013; Klajdi Imeri, Project Manager; Elvis Kotherja, Owner/Manager and Emirald Mateli, Developer, Elite Travel on December 10, 2013; Erjola Zerani, General Manager, OLA1, December 7, 2013 and focus group with IT companies (particularly the discussion with Gjergji Guri, Manager, Facilitation Shpk).

<sup>35</sup> Interviews with Iris Batalli, Business Developer and Erita Skendaj, Head of SW Department, Communication Progress on December 3, 2013 and Klajdi Imeri, Project Manager; Elvis Kotherja, Owner/Manager and Emirald Mateli, Developer, Elite Travel on December 10, 2013.

<sup>36</sup> This was mentioned by all the universities; for example in our interview with Bizena Bijo, Vice Dean of Department of Veterinary Public Health and Remzi Keco, Career Centre Coordinator, Agricultural University of Tirana.

capacity, and this has resulted in PUT delivering courses in CAD/CAM as part of its lifelong learning program for industry professionals.<sup>37</sup>

In addition to these programs, the project assisted in the genesis of the AHLEI program to support training of staff from the hospitality industry with the following two components:

1. A tourism management degree (bachelor level) in collaboration with Marin Barletti University.
2. Continuing education courses for industry professionals in collaboration with DMO, which delivers the training.

The AHLEI program is off to a good start and secured sustainability through its university affiliation and DMO. This is a good way of implementing internationally recognized education and provides a good model for other countries in the region<sup>38</sup>.

## F.2.b. Associations and Similar Structures

### *F.2.b.i. Associations in Post Socialist/Communist Countries*

Associations are difficult to grow in post socialist/communist countries. Some countries continue to have mandatory Austrian type chambers. In this case, the structures exist, but often there is widespread mistrust of the chamber. In socialist and communist countries, the chambers often played a role in managing industry and were not democratic institutions, but staffed with bureaucrats. Other countries like Albania have abandoned mandatory membership and have an American type chamber and association system with voluntary membership, but here you often see fragmentation with multiple institutions existing in one industry, which makes it more difficult for any institution to represent industry in discussions and lobbying with government. The higher the educational level in an industry, the easier it is to create industry wide associations, like e.g. in ICT.

### *F.2.b.ii. Project Activities with Associations*

Supporting associations was not a direct part of the project remit. The Project used associations to achieve specific objectives at both the firm and the meso level. Other donors provided direct technical assistance and funding to associations, in particular GIZ and the Norwegian Government. However, the project was instrumental in developing the PROTİK ICT Resource Center, which is a ICT oriented public private partnership focused on being a catalyst for the Albanian ICT industry through the following three objectives<sup>39</sup>:

1. Foster entrepreneurship and innovation. Until the establishment of Protik, the Government did far too little to stimulate entrepreneurship and innovation, and PROTİK endeavors to fill this void.
2. Stimulate the demand for ICT products and services. Many companies in Albania do not know how they can benefit from ICT.
3. Foster partnership and collaboration in the ICT sector.

The other partners are Ministry of Innovation of GoA, the Albanian American Development Foundation, Altelecom, CISCO and Microsoft. The project was key in the formation of PROTİK, which is so far a recognized institution in the Albanian ICT landscape and successful

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<sup>37</sup> Interview with Ermira Shehi, PUT, Professor Department of Textile and Fashion, PUT on December 5, 2013.

<sup>38</sup> Interviews with Klajdi Imeri, Project Manager; Elvis Kotherja, Owner/Manager and Emirald Mateli, Developer, Elite Travel on December 10, 2013 and Elora Kokalari, Career Center Manager, Marin Barleti University on December 11, 2013.

<sup>39</sup> IT focus group and interview with Edlira Kasaj, Executive Director, PROTİK ICT-TRC on December 2, 2013.

in implementing planned activities. PROTİK appears to be a good model for private public partnerships in other sectors, as most companies in the ICT industry considers it a success.

The project was successful in its work with associations, however the associations per se enjoyed varying degrees of success as outlined below:

- AITA is highly successful with a broad membership base and effectively represents the sector. AITA appears to be sustainable.<sup>40</sup>
- ATA and the footwear and garment associations are much less successful. These associations are not effective in unifying the industry. In each sector, there are multiple competing associations. The project spent significant time and resources to persuade the associations in the garment and footwear sectors to merge without success. The associations appear to suffer from the following issues<sup>41</sup>:
- Management focus on controversial rather than simple issues that can benefit all the members. Rather than focus on saving everyone money, e.g. by joint visits to trade fairs etc. more effort is expended on who will be the manager. This prevented the merger of the two associations in garments.
- Democratic deficits. Our interviews suggest that members are being prevented from standing for elections contrary to the bylaws.
- Individual rather than institutionalized approach. Many companies are members of an association where they know the manager.

It is difficult to determine the sustainability of the garment and footwear associations, but they will not be effective unless one association covers a larger part of industry, particularly the most successful enterprises<sup>42</sup>.

ATA is the basis and locus for the AAQM program. AAQM is a major source of membership for ATA. Membership of ATA is a requirement to participate in AAQM, and this has resulted in more than a doubling of membership of ATA. ATA has attracted significant funding from IPA, Phare and GIZ. Currently, there is at least one competing industry organization and significant skepticism about ATA as outline above. Moreover, a relatively recent assessment of AAQM confirms the assessment team's assessment of ATA as follows:

“In general, members who were skeptical of the association's role and achievements also wished for a more active engagement within the program. Those who were more familiar with ATA's work agreed that more effort should go into informing other members on its achievements and the everyday activity of the program. Respondents in general claimed they expect from ATA a much more pro-active lobbying with the government regarding issues that they were not able to face individually. They expected active lobbying on issues such as cleaning the environment, tackling informality, improving infrastructure and lowering taxes. Several respondents suggested that the program closely cooperates with local governments to increase chances of success in these areas.” (Dhima September 2012)

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<sup>40</sup> IT focus group and interviews with Edlira Kasaj, Executive Director, PROTİK ICT-TRC on December 2, 2013, and Dritan Mezini, AITA and DM Consulting, Director on December 4, 2013.

<sup>41</sup> Expressed for example in Interviews with Matilda Naco, Executive Director, ATA and Zak Topuzi, General Manager, Hotel Mondial on December 6, 2013; Klajdi Imeri, Project Manager; Elvis Kotherja, Owner/Manager and Emirald Mateli, Developer, Elite Travel on December 10, 2013; Flamur, Hoxha Owner/Manager, Kler shpk on December 4, 2013 and Kliton Gerxhani, Director, Albania Holidays on December 9, 2013; and Nancy Tare, Business Manager, Auron Expeditions on December 6, 2013.

<sup>42</sup> Interviews with Klajdi Imeri, Project Manager; Elvis Kotherja, Owner/Manager and Emirald Mateli, Developer, Elite Travel on December 10, 2013; and Kliton Gerxhani, Director, Albania Holidays on December 9, 2013

In our experience, the choice of board and management of an association often completely determines the success of association.

The National Geographic Initiative is highly successful<sup>43</sup>, companies interviewed indicate that the initiative and the associated website has lead to substantially more tourism, particularly from Asia and overseas. Moreover, it has united companies regionally and in Albania around a profit driven tourist initiative, which is essentially a purpose driven association. For difficult to organize industries, purpose driven business groupings are often more successful than general-purpose associations. This is consistent with our experience elsewhere.

Moreover, consistent with experience IT and ICT elsewhere, e.g. in Armenia, Serbia, Turkey and Uzbekistan, AITA has been more successful than the other associations, most likely because of the higher level of education in the IT industry and the lower level of inter-firm competition in the IT industry due to the higher degree of product differentiation, which facilitates cooperation. The high requirements to the education of the employees also are also a strong incentive to work together to have an impact on universities and education, in general.

All the interviewees expressed appreciation for the industry and company websites, which appear to have worked well, and they appear professional and well done. Examples are Bertoni, Fittal (both company and industry), Protik and Albania Holidays.<sup>44</sup>

### F.2.c. Working Groups

To overcome the institutional challenges organizing the garment and footwear industries in one association, the Project requested that the Government assist form a working group of all the stakeholders in the industry. AIDA (the Albanian Investment and Development Agency) became the key partner and government interlocutor in forming this working group. This working group became an essential forum for discussing industry issues and developed a framework for addressing industry issues. A successful outcome of the working group is the letter to the Prime Minister to improve the conditions and address the challenges of the footwear and garment industries<sup>45</sup>. The project has functioned as secretariat for the working group. As a result of the work, the project developed brochures for the garment and footwear industries along with detailed company profiles for selected enterprises in the sectors. AIDA has pledged to continue the working group at the end of the project, thus assisting the working group to become sustainable. However, under the new Government, the future of AIDA is uncertain. It appears that their offices have closed and the staff have left.

The project also formed a IPR stakeholder group at the behest of Microsoft and AMCHAM. The stakeholders have regular and often high level meetings to discuss property rights issues and to increase the awareness of it. Moreover, in collaboration with AMCHAM, Microsoft, and Abcom, the project has organized annual IPR national conferences<sup>46</sup>. The stakeholder interviewees indicate that the meetings and conferences have contributed to a significant increase in the awareness of IPR issues, albeit from a low base. Indeed, the activities funded by Rritje were some of the few activities that have been undertaken in the IPR field, as the public sector institutions only have no budget for PR activities<sup>47</sup>.

The IPR Stakeholder group and the associated activities have been successful in raising awareness of IPR issues in Albania. However, Albania needs a much more concerted effort to

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<sup>43</sup> This was a near universal sentiment among the tourist companies, expressed for e.g. in our interview with Stavri Cifligu, Product Manager, Albania Experience on December 6, 2013.

<sup>44</sup> This was mentioned in many interviews, for example Anton Radovani, General Manager Bettoni, on December 5, 2013.

<sup>45</sup> See the letter to the Prime Minister, cf. Interview with Akil Kraja, Head of SME Department, AIDA on December 5, 2013.

<sup>46</sup> Interview with Floreta Faber, Director, AMCHAM on December 3, 2013.

<sup>47</sup> Interviews with Muje Bucpapaj, Director, Albanian Copyright Office on December 5, 2013 and Rudina Bollano, Head of Patent Sector and Linda Meneri, Head of Trademarks Sector, General Directorate of Patent and Trademarks on December 4, 2013.

build institutional capacity and improve enforcement to make sustainable and long-term improvement in IPR. The most recent EU Annual Progress Report for Albania<sup>48</sup> has also directly addressed this issue. Usually, the EU deals with these issues through large-scale development programs and twinning.

## G. Problems and Challenges Overcome

The project overcame four significant challenges during the implementation:

1. A slow start. The project started up very slowly and had key staff changes during the 9 months. The early quarterly reports provide evidence of a project with low performance<sup>49</sup>. Good project management enabled the project to materially catch up later.
2. Broad project remit. The project targeted the entire private sector except agriculture, or about 80 percent of the economy (CIA Fact Book). This is an extraordinarily broad remit, and it resulted in the selection of four target industries (garments, footwear, tourism, and ICT). For a project this size, four sectors are too many at least at the outset. The project might have achieved and specialized more by focusing perhaps on 2 to 3 sectors, possibly starting with 2 and adding an additional sector later in project, if it had sufficient resources.
3. Municipal emphasis. The project target originally included 5 municipalities addressed by the USAIDlocal government project and 5 additional municipalities. The philosophy was that the project activities would provide work for excess agricultural labor as the agriculture got more efficient and released labor resources. Uniquely for Europe, agriculture in Albania accounts for about 48 percent of total employment. The original idea was to realize synergies with other USAID projects in agriculture and local government. However, instead of synergies, this unnecessarily narrowed the initial scope of operations for project. Project management managed to eliminate this constraint as the project worked in the municipalities required, and USAID allowed the project to work throughout the country, wherever demand for project assistance was expressed.
4. Hiring staff before sector selection. Since the project hired most of its staff before selecting sectors, the startup staff was not experienced in the target sectors. As intended, the project would provide more general advice to large number of small or micro businesses. Effectively, the project served a smaller number of businesses with significant industry specific issues, where prior experience in the industry was beneficial. The project hired a tourism expert after 8 months and an ICT expert after 15 months. Moreover, the remaining staff managed to gain knowledge of these industries, learning on the job, as the project progressed, thus overcoming this challenge.
5. Change in the project. Following the Mid-Term Evaluation<sup>50</sup>, the project placed increasing emphasis on activities and partnerships involving the meso and macro levels. Partly, this reflected the change in USAID Country Development Strategy<sup>51</sup>, partly this reflected a need already diagnosed by project and confirmed by the Mid-Term Evaluation. Changing a project in middle of implementation is difficult and requires strong management skills. Project management successfully met this challenge to make the project a success.
6. Number of performance indicators. The project started out with too many and too overlapping performance indicators as also indicated in the Mid-Term Evaluation. Fewer performance indicators would have made it easier to manage the project. The Mid-Term Evaluation recommended working with fewer and better companies that could act as a locomotive for the entire sector. However, the project was still measured on the number

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<sup>48</sup> (European Commission 2013)

<sup>49</sup> See (USAID Rrietje/CED September 2009) and (USAID Rrietje/CED June 2009)

<sup>50</sup> ( Kirkbride and Nathanson 2012)

<sup>51</sup> See (USAID Albania 2011).

of companies actually and directly assisted. Revisions of the indicators during project implementation ameliorated this issue to some extent but did not eliminate it.

## SECTION IV

### Relative Effectiveness of Approaches Used

The project had much success in implementing a demand-driven approach, and there is unanimity among all client companies that the project managed and implemented activities in a manner highly responsive to their needs. Moreover, the employees and consultants involved in the project were highly responsive to the clients.

The most successful aspect of project was the assistance delivered on firm level. As a result of the Mid-Term Evaluation, the project provided much more in-depth assistance to a smaller number of firms than was envisaged in the original scope of work. Moreover the firm level assistance was much more comprehensive than the meso level activities. On the firm level, the following activities were the most successful by industry<sup>52</sup>:

- For footwear and garment producers in production (in depth assistance moved towards full cycle business model) and marketing.
- For ICT companies: IT mark and the PPP underlying Protik.
- For hotels: AAQM.
- For Tour Operators: The National Geographic Initiative.

It is difficult to compare the effectiveness of the interventions across industries. However, we believe that the combination of technical assistance and training deployed in the garment industry was probably the most effective.

The support to participation in industrial fairs is often controversial at this stage of the development cycle for Albania. Many donors have paid for participation in industrial fairs over time with perhaps little to show for their efforts. However, this is the only way firms in emerging markets like Albania can enter new markets and move up from being sub suppliers to other firms, e.g. CMT, to actually market their own products either under their own brand or private label. In addition, in the case of Albania, providing support to participation in trade fairs provides necessary geographic diversification, as many companies in Albania are far too dependent on the Italian market. The project used an effective approach with an emphasis on technical assistance throughout the cycle and extensive cost sharing. The technical assistance to prepare for the industrial fair and follow up on the leads created is more important than any subsidy provided by the project, as also clearly evidenced by the assessment interviews.

Most developed countries in Europe provide support for participation in trade fairs, e.g. Denmark, Germany, Ireland and Turkey. In some cases, e.g. in Turkey, the support amounts to 75 percent of the costs associated with trade fairs, including travel, stand and consulting services. This reflects how important this is for companies to access new markets and how seriously many governments take this<sup>53</sup>. Generally, such programs will cover the external costs of participating in a trade fair, including consulting fees, stand costs, travel and accommodation.

The support on the meso level was well delivered, but often hit roadblocks. In some cases, the project creatively maneuvered around the roadblocks or found more effective ways to proceed:

1. Creation of a working group, e.g. in garments and footwear as an alternative to an association for discussing industry issues with government.
2. Creation of a purpose driven business grouping, i.e. the National Geographic Initiative. This is not an alternative to ATA, but it certainly enhances the association initiatives in the tourism and works in a complementary fashion<sup>54</sup>.

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<sup>52</sup> There is broad consensus on this across all our interviews in each sector.

<sup>53</sup> See (Dan 2013)

<sup>54</sup> Interview with Nancy Tare, Business Manager, Auron Expeditions on December 6, 2013.

In other areas, it was more difficult to find alternatives. The Project supported getting public hearing on laws. While the technical quality of the endeavors to do this was good for both the tourism and IPR laws, it has not yet led to new legislation. The Albanian legislature simply has taken much longer to process and pass the laws than anticipated, and the Government held an election prior to them passing. A change of government in Albania leads to new staffing in the ministries as well as on the cabinet level. This may lead to a complete change in these two laws, as the new government priorities have changed. In promulgating legislative action, there are few alternatives to working with government. Strong and vocal associations and working groups can provide the input to new governments to continue the process towards new legislation. In the case of the IPR law, the strong working group with significant international support (AMCHAM, Microsoft, Mercedes Benz, Etc.) can perhaps focus the new government on passing the existing drafts with minimal changes. As things currently stand, the new government is now moving quickly on the tourism law, and the project will continue to provide significant support in legal drafting and for roundtables for input for the public and private actors.

The access to finance activities did not result in sufficient measurable results. In part, this was a design issue, as the project did not provide direct deal or transaction advice, the client simply did not inform the project of the deals that took place. Access to finance is a difficult problem on the Balkans, and dealing successfully with the issue would require more resources and probably a more comprehensive approach. As we have observed access to finance elsewhere in the Balkans, it is often a cost and collateral problem, rather than an access problem. Many entrepreneurs will not pay the high cost required or post the significant collateral required. This high cost results from business environmental risks, particularly the uncertain legal environment, if the borrower does not pay as agreed. Albania's rank on enforcing contracts is 124 according to the World Bank Doing Business Research.<sup>55</sup> This ranking leads to a significant risk premium.

As a result of the Mid-Term Evaluation, the project had more activities on the meso level, but USAID did not change the scope of work to make the associations and universities at the meso level the focus of the project. It was probably wise not to make a larger change.

## SECTION V

### Recommendations to the Mission (from Beneficiaries) for Potential Future Activities to Sustain or further Build on Key Project Achievements

The beneficiaries made many useful suggestions, including the following:

1. Rritje Albania or similar should continue<sup>56</sup>.
2. Support to equipment purchases<sup>57</sup>.
3. Support for entering new markets, e.g. participation in fairs<sup>58</sup>.
4. Support to associations in forging regional links in the Western Balkans<sup>59</sup>.
5. Assistance for universities to create more private sector links.<sup>60</sup>

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<sup>55</sup> (World Bank Group/IFC n.d.)

<sup>56</sup> This was mentioned by nearly all interviewees.

<sup>57</sup> Cf. Interviews with Erjola Zerani, General Manager, OLA1, December 7, 2013 and Anton Radovani, General Manager Bettoni, on December 5, 2013.

<sup>58</sup> This was mentioned by many of the interviewees in the footwear and garment industries, e.g. Interview with Ilir Pepa, General Manager, IMESALB, on December 9, 2013 and Oli Pero, Sourcing Manager, Bella Konfex on December 5, 2013.

<sup>59</sup> This view was particularly prevalent in the tourist sector and probably reflects the popularity of the National Geographic Western Balkans initiative

6. Assistance for universities to create links to universities internationally, perhaps through FP7 or other joint research mechanism.

Suggestion 1 clearly reflects the beneficiaries' high regard for the support of Rritje Albania, but is not really a practical option. Suggestion 2 is somewhat controversial; particularly as successful companies and successful beneficiaries of the Rritje Albania grant program suggested it. Grant programs associated with EU Accession to support competitiveness will most likely accommodate these needs later.

We are aware that USAID is moving towards regional projects, and based on the beneficiaries' suggestions, we have developed the following regional, and country based project ideas:

1. Regional projects:
  - A. *Regional university project to strengthen career based education* and to nurture regional university links based on existing experience with universities in Albania.
  - B. *Regional tourism project to further develop regional tourism* based on the National Geographic success of Rritje Albania.
  - C. *Regional association project for selected industries* to train associations, discuss common issues and find common solutions.
2. Albania-focused projects:
  - A. *Tourism project supporting both government and tourist associations* developing their structure and skills and developing a *detailed national tourism strategy* for the next five years. Rritje Albania experience in tourism would be the basis of this project.
  - B. *Additional marketing and advanced manufacturing for key industries*, continuing from Rritje left off and including more companies, e.g. from the footwear and garments, sector including support for:
    - (i) Industrial fairs.
    - (ii) Design.
    - (iii) Introduction of new equipment, methodologies and procedures.Most European countries provide support for this type of activities; particularly export oriented activities such as trade fairs. Today, most European countries also provide technological support to design and equipment purchases as part of regional competitiveness initiatives targeted at clusters or sector specific industry associations or chambers. Albania could get this support from the EU IPA program particularly through the support for the Regional Competitiveness Program for Albania.
  - C. *Local university support project* with support for the following activities:
    - (i) Continue career-based education.
    - (ii) Develop curricula based on a government, private sector and university partnership to reflect demand for graduates.
    - (iii) Develop international collaboration with a view to participate in international research consortia, e.g. FP7 and 8, and to collaborate with

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<sup>60</sup> Interview with Bruna Nicka, Head of Communication Department and Coordinator of Career Offices and Migena Malaj, Interface Career Centre, University of Tirana on December 10, 2013.

international universities on curricula and staff development issues  
(including doctoral work).

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