



Republic of Albania
Ministry of Economy, Trade and Energy



Albania

United Nations Development Programme
Country: Albania
Project Document

Project Title: Follow On to Enhancing Regional Trade and Attracting New Investment to Albania

Outcome 1: More transparent and accountable governance

One UN Programme Outcome(s) Sub-Outcome 1.3: Government adopts economic policy , regulatory & institutional frameworks that promote pro-poor growth, socially-inclusive legal and economic empowerment

Expected Output(s):
(Those that will result from the project and extracted from the CPAP) Capacities of the Ministry of Economy, Trade and Energy staff and other stakeholders strengthened to effectively address the challenges of WTO, SAA and regional trade agreement implementation

Responsible Parties: AlInvest; Ministry of Economy, Trade and Energy, Central Bank of Albania, INSTAT

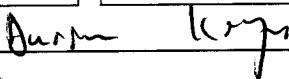
Brief Description

This is a subsequent project following the Enhancing Regional Trade and Attracting New Investment to Albania project, implemented by UNDP Albania and co-funded by the EC (90%) and UNDP (10%) during the period 2007-2009. The EC-UNDP project focused on capacity building at the Albanian Ministry of Economy and AlInvest to attract foreign direct investments and develop industrial zones. The project will emphasize more strengthening and institutionalizing capacities in investment promotion and FDI policy development, and identifying effective activities in industrial zone development.

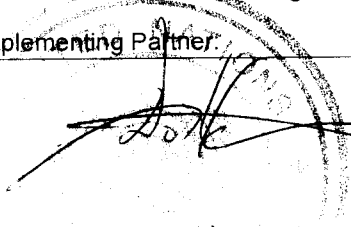
Activities under this project will include among others support to a national FDI team, publication of an annual FDI report, advice on improving planning and management at AlInvest, study tours, support to the Business Advisory Council, IT system modernization, and training programmes.

Programme Period:	2009-2010
Key Result Area (Strategic Plan):	Fostering capacities for economic growth and human development
Atlas Award ID:	[]
Start date:	August 2009
End Date:	July 2010
PAC Meeting Date:	[29 June 2009]
Management Arrangements:	NIM

AWP budget:	USD 200,000
Total resources required:	USD 200,000
Total allocated resources:	
• Regular	
• Other:	
One UN Coherence Fund:	200,000 USD

Agreed by METE, Executing Partner: 

Agreed by UNDP, Implementing Partner: 


22 July 2009

I. BACKGROUND

The Government of Albania has identified foreign direct investment (FDI) as an enabler for economic development of the country and reduction in poverty. FDI, along with SME development, are generally viewed as the two main engines of economic growth in emerging economies. The Government of Albania is pursuing a strong pro-business and pro-investment policy and is aiming to boost trade across the region and internationally. It also plans to improve national competitiveness to ensure that new jobs are created by attracting foreign investment to the country's regions. The private sector plays an important role in the Albanian economy.

In early 2007, being aware of the challenges related to attracting foreign investments, and also based on recommendations produced by the previous EC-UNDP funded Trade Liberalization and Promotion Project, the Government identified the following priorities:

- Increase FDI flows through improved privatization and concession processes;
- Increase FDI flows in specific sectors such as shoes and clothing, business services and construction materials;
- Strengthen capacities of structures to promote trade and FDI and implementing Government strategies and policies in the area of business and investment promotion;
- Ensure that half of the investment needs of the Albanian economy in 2007-2013 are covered by FDI; and
- Establish industrial parks complete with the necessary infrastructure and services, to significantly reduce investment costs where ownership rights and inadequate infrastructure are still an obstacle to attracting foreign investors.

These priorities were addressed in the EC-UNDP Enhancing Regional Trade and Attracting Investment to Albania project which began implementation in June 2008. The project focused on building capacity in METE and AlInvest, the organizations in the central government charged with attracting foreign investment and developing industrial zones. The project made excellent progress in laying the foundation for Albanian government institutions to attract FDI.

The project ends 31 July 2009 and additional project support is required to reinforce the progress to-date and to further increase Albania's capability to analyze, monitor and attract FDI. Currently there are still issues to be tackled:

- Although during the first project phase, it was intended to produce the first annual FDI report, this was not possible due to the data not complying with international standards and the absence of an effective protocol to exchange data at the sector, region and country of origin levels. The previous project has made significant progress toward moving Albania toward international standards but an information gap still exists. This information gap hampers policy analysis related to attracting and benefiting from FDI. Comparable or (regionally) harmonized data is a precondition for analysing the process of integration and globalization in all its dimensions, including its impact on sustainable economic development and its contribution to the transfer of technology, human resource development and export performance.
- AlInvest's capacity regarding the promotion of FDI and Industrial Zones (IZ) in particular still remains weak. Although several interventions have been undertaken, only during the last months the government decided that the promotion of the Industrial Zones be given to AlInvest. In addition, it became clear that image and working relations between AlInvest and municipalities and regions needs improvement.

II. PROJECT STRATEGY

This Project is a continuation of assistance offered by EC and UNDP to the Government of Albania. The strategy focuses on areas where the Project had success and where ceasing activity will slow progress. In this Project, the strategic objectives will be to assist Albania produce FDI related statistics at the international standard, improve AlInvest's capacity to absorb technical assistance in the area of investment promotion, and further support the development of industrial zones.

The first component is to continue the efforts to develop better FDI data and policy analysis in METE. UNDP will follow-up the well-received UNCTAD seminar on FDI statistics to support a national FDI statistics team and an improved FDI survey that meets international standards in order to produce an annual FDI report that meets

international standards. The current FDI statistics produced by Albania do not separate portfolio investment from direct investment, does not cover outward FDI, does not include the debt component of FDI, and does not include the contribution of enterprises with less than 10% investment. The project aims to continue to use the expertise of UNCTAD as they have expressed a desire to continue providing technical assistance in Albania. UNDP serves as a coordinator in the development of an FDI statistics team and will work directly with the beneficiaries on planning, implementation, and report development. UNCTAD's role is defined as technical expertise. It should be noted that the participation of UNCTAD is a continuance of the direct support to the previous project and is predicated on the mutual agreement and availability of all parties. UNDP plans also to play a key role in the 17 September launch of UNCTAD's World Investment Report in Albania, part of the worldwide launch. This component will also include facilitating activities in the Business Advisory Council and a yet-to-be formed FDI donor coordination group. A study tour is also planned.

The second component of the project will focus on Albinvest's capability to promote and absorb technical assistance. The previous project successfully upgraded programs, projects and the skills of staff members through its specific activities. Additional effort is needed to improve the overall capability of Albinvest and its capacity to maximize the technical assistance. The project proposes to hire a former director or deputy director of an investment promotion agency to devise an investment promotion strategy, and to optimize workflow and agency operations. Albinvest's IT systems require modernization. The project will bring in a consultant to recommend appropriate systems and the project will provide funding for a local company to provide such systems and to update Albinvest's website.

The third component is Support to Industrial Zones. The previous project successfully delivered training and operational advice to METE and the municipalities developing industrial zones. However, Albania is in the initial phases of industrial zone development. There is a significant need for guidance in development, tendering, contract award, licensing, monitoring, etc. A consultant will follow up on the work of the previous project to train and advise the municipalities on the requirements of identifying, planning and marketing industrial estates, and continue to advise METE about its role along the lifecycle of industrial zone development. The study tour to Croatia in the previous project provided valuable insight to the METE staff.

The timeframe of the project is 12 months. If required, UNDP would consider continuing assistance.

III. ANNUAL WORK PLAN

Year: July 2009 - July 2010

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	Budget Description	Amount
		Q3	Q4	Q1	Q2			
<p>Output 1: By the end of July 2010, Government of Albania and main FDI stakeholders are better able to coordinate, monitor, analyze and promote FDI in Albania</p> <p>Baseline: No Annual FDI Report in place No National FDI Team in place</p> <p>Indicators: Annual FDI Report produced National FDI team set-up</p> <p>Targets: Annual FDI Report produced by July 2010 National FDI Team set-up by end of 2009.</p>	<p><u>Activity Result 1:</u> By the end of 2009, National FDI team set-up and operational, including METE, Albinvest, INSTAT, Central Bank, and Business Representatives; by end of July 2010, Government of Albania is better able to monitor and analyze FDI, through an Annual FDI Report</p> <ul style="list-style-type: none"> - Support the set up of the FDI team/working group in Albania. - Facilitate the process related to the regulatory establishment of the WG and information sharing and meetings. - Streamline the FDI data gathering process as well as organization of UNCTAD training, between Central Bank, METE, INSTAT - Support to Business Advisory Council and FDI-related donor coordination - Support to World Investment Report Launch - Support to writing, producing, translating and distributing Annual Report on FDI 	x	x			<p>METE, Central Bank, INSTAT, Albinvest</p>	<p>International Consultants</p> <p>Travel</p> <p>Publication/Translation/Professional Services</p> <p>Local Consultant</p> <p>Conference/ Meetings</p>	<p>10000</p> <p>6000</p> <p>5000</p> <p>3000</p> <p>2000</p>

	<p>Activity Result 2: By end of July 2010, Government of Albania is better able to promote FDI</p> <ul style="list-style-type: none"> - Review and refine overall promotional strategy that coincides with organizational strategy, National Business and Investment Strategy and NSSED - Advise investment promotion agency management on how to work with Albinvest on agency planning and management techniques. Create a workflow and operational manual. - Facilitate an annual survey of Albinvest on FDI in Albania (Tirana & Regions) - Modernize web site systems, and create backend system to support investor tracking, project pipeline, etc. - Study tour 	<p>X</p>	<p>X</p>	<p>X</p>	<p>Conferences/Meetings International Consultant Travel Contractual Services-Companies</p>	<p>2,000 26,000 17,000 10,000</p>
	<p>Activity Result 3: By end of July 2010, METE is better able to license and regulate industrial zones; Albinvest is better able to promote industrial zones.</p> <ul style="list-style-type: none"> - Organize training re: industrial zone licensing and regulation, business plans and finance, and promotion of industrial parks including brownfields - Mentor municipalities to identify areas to become industrial zones <p>Municipalities</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>METE/Regional Authority International Consultants Travel</p>	<p>15000 10000</p>

OTHER		Contracted consultants (Local Staff)	66000
		Rental and Maintenance	10000
		Communications GMS/ (7%)	2,200 14,000
		TOTAL	200,000

Required expertise

The table below lists the required expertise and amount of days for each expert based on the activities mentioned above.

Expert Type	No exp.	Total Day for 12-month period
Expert for Investment Promotion Agency Management	1	20
Expert from FDI Data and Reporting	1	15
ICT Assessment Expert	1	3
Industrial Zone Expert	2	10
Total		40

IV. MANAGEMENT ARRANGEMENTS

The Project will be National Implementation (NIM) implemented by UNDP Albania with METE and Albinvest as cooperating Government partners of the project and beneficiaries. UNDP will be responsible to:

- (a) Day-to-day project support
- (b) Offer expertise which is available in the international and domestic market
- (c) Recruit necessary international or local expertise
- (d) Coordinating intergovernmental or donor working groups and committees as agreed with the other members
- (e) Carrying out tenders for procuring services and/or goods as per its rules and regulation
- (f) Making payments related to expenses incurred as part of project implementation
- (g) Preparing and distributing periodic reports including financial reports

Project Staff

A full-time National Project Manager will work in close collaboration with the Government, with assistance from administrative and support staff to complete the required tasks. The Project Manager will work closely with Government partners and project experts. Close and frequent collaboration with the beneficiaries will be key to the success of the project.

The project will be supported by short-term experts that will be hired for particular assignments related to various components of the project. The project manager in consultation with the beneficiaries will prepare the Terms of Reference for consultants and by requesting and submitting official requests to project staff.

Project Board

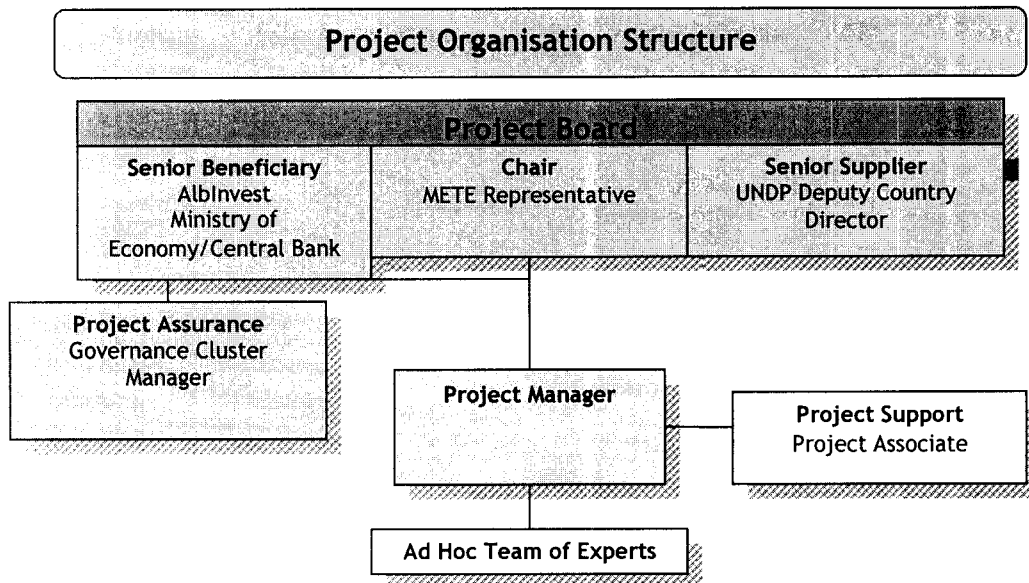
A Project Board will convene every 3 months and upon need, chaired by an appropriate representative of METE who is responsible for identifying stakeholders to attend Project Board meetings. Where necessary, UNDP will provide logistical support for such meetings.

The first board meeting will convene in the weeks following finalization of the project document in order to discuss and agree on solutions for the following issues:

- How to ensure successful cooperation among parties involved
- How to ensure sustainability of the project; an action plan should be written for guaranteeing the use of the network and future development
- Timing of the project
- Timing of activities that relate to the work of the board in reviewing and supporting the project
- Discussion and endorsement of solutions and actions outlined in the inception report
- Adjusting and confirming the action-plan and strategies of the project
- Making decisions on the direction of the project if needed.

At least five days prior to each meeting, the Project Manager will submit a semi-annual report to all committee members.

The diagram below represents the composition of the Project Board.



V. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- An Issue Log will be activated in ATLAS and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for changes.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in ATLAS and regularly updated by reviewing the external environment that may affect project implementation.
- Based on the above information recorded in ATLAS, Quarterly Progress Reports (QPR) will be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- A project Lessons-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project.
- A Monitoring Schedule Plan shall be activated in ATLAS and updated to track key management actions/events.

Annually

- **Annual Review Report.** An Annual Review Report will be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As a minimum requirement, the Annual Review Report will consist of the ATLAS standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review will be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as

required. It will focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

Evaluation

A formal UNDP evaluation can be conducted at the end of this project.

Quality Management for Project Activity Results

<p>Activity Result 1 (Atlas Activity ID)</p>	<p>By the end of 2009, National FDI team set-up and operational, including METE, Albinvest, INSTAT, Central Bank, and Business Representatives; by end of July 2010, Government of Albania is better able to monitor and analyze FDI, through an Annual FDI Report</p>	<p>Start Date: 1 August 2009 End Date: 31 July 2010</p>
<p>Purpose</p>	<p>At the concluding session of UNCTAD/UNDP Workshop on Survey Methodologies in Collecting data on Foreign Direct Investment and the Activities of Transnational Corporations, held from 27 to 29 April 2009 in Tirana, the participants agreed that it is of paramount importance that FDI be reviewed regularly to provide a means for monitoring the volume, source, and direction of such flows. Such exercise could enhance the attractiveness and competitiveness of the country, and support development. In this regard, the need to have comparable FDI statistics in Albania is recognized. In addition, provision of comparable FDI data would provide useful information to the investors, policy makers and the general public.</p> <p>Also, the current FDI survey faced a number of serious issues:</p> <p>(1) It covers all identified foreign enterprises but these enterprises may likely contain portfolio investors;</p> <p>(2) It covers only inward FDI and partially outward FDI. (As far as inward FDI is concerned, the debt component of FDI cannot be derived from the current survey. For outward FDI due to the use of ITRS only for compiling FDI flows, FDI data is underestimated).</p> <p>(3) It does not include all internationally recommended items in deriving FDI flows and stock data;</p> <p>The Annual FDI Report will be based on a new survey, will taking these issues into account and help Department of Business Promotion in METE upgrade its capacity and make the reliable recommendations in line with international standards and requirements to the Albanian government on FDI climate performance.</p>	
<p>Description</p>	<p>The National FDI Team shall undertake appropriate activities to enable it to carry out its functions smoothly. These activities shall include: developing a framework that would contribute to developing a comparable or harmonized approach of measuring FDI and activities of TNCs based on international standards; To develop a detailed work programme; To exchange information on FDI and TNC among stakeholder; To undertake a survey on FDI and activities of TNCs on an annual basis; To engage in dialogues and consultations with other countries and international organizations; To establish capacity building activities such as training and workshops or seminars for new staff who will undertake work on FDI statistics.</p> <p>The National Team composition shall be 6 government agencies and one-two private sector representatives. The following agencies were nominated by UNCTAD/UNDP: Bank of Albania, Albinvest, Ministry of Economy, Trade and Energy, Instate, and National Registration Centre from government institutions, and Foreign Investment Association and Chamber of Commerce from the private sector.</p> <p>The National Team is recommended to comprise two-three representatives from each agency. A second/third member can be a representative of policymakers or analysts using and interpreting statistics on FDI in respective agency. Each ministry and agency shall nominate a focal point (i.e. compiling agency) whereby all communications and data flows shall be channeled through. The Secretariat of the National Team shall be established in the Bank of Albania and shall function as an advisory body to the National Team.</p> <p>The National FDI report would be the result of a consultative process integrating all main stakeholders and be based on the following data: inward FDI flows; inward FDI stock; outward FDI flows and outward FDI stock; FDI flows/stock by</p>	

<p>country/region and FDI flows/stock by industry. Activities of foreign affiliates in Albania: sales, value added, employment, earnings, assets etc.</p> <p>The national FDI report would have the following content: Outline of the report: (40-50 pages) 1. FDI picture in 2008 (20 pages) a. Albania in the context of global FDI flows b. Albania in the context of regional FDI flows c. FDI flows in Albania by region d. FDI flows in Albania by sector 2. One special topic that is of interest to the country (e.g. employment, trade, tourism, M&As, or any topic important to the country in that particular year) (10-15 pages). Focusing on the impact. 3. Policy suggestions to attract and benefit more from FDI in the area chosen as a special topic above (10 pages)</p> <p>Also a Plan of Actions to be undertaken and Lessons Learnt of the process will be attached to the final national FDI Report.</p>
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Quality Criteria	Quality Method	Date of Assessment
Official acceptance of report by Government of Albania	Public approval and distribution of report by Government and/or Central Bank	quarterly
Report contains reliable and consistent data in line with UNCTAD international requirements	Review through UNCTAD experts	quarterly
FDI Report contains concrete and realistic policy recommendations	Review through UNCTAD experts	quarterly
Main stakeholders are appointed to FDI team	project files	Quarterly (until end of entire project)
FDI team meets on a regular basis (ideally quarterly)	List of participants, meetings log, etc	Quarterly (until end of entire project)

Activity Result 2 (Atlas Activity ID)	By end of July 2010, Government of Albania is better able to promote FDI	Start Date: 1 August 2009 End Date: 31 July 2010
Purpose	Significant efforts have been undertaken in regard to the promotion of FDI's through concentrated efforts in working with Albinvest and METE. This experience has led us to believe that more efforts are now needed to help these institutions enhance trade and attract investment. Our focus has been on assisting with specific projects and skill sets. There are larger issues that need to be addressed – staff turnover, lack of documentation, workflow, and outdated systems. The purpose is to increase the quality of the strategy, management and infrastructure by bringing experienced investment agency personnel and better IT systems to Albinvest.	
Description	Albinvest will benefit through more efficient internal management and coordination, better understanding of staff of marketing principles, creation of a backend system to support investor tracking, project pipeline, etc. The project aims to provide an experienced Director or Deputy Director of a successful agency to improve the investment promotion agency's strategy, organizational structure, and workflow design. An IT consultant familiar with similar agencies will be utilized to recommend upgrades for the quality of Albinvest's IT systems to improve their ability to track projects, identify industrial land and catalog investment opportunities.	
Quality Criteria	Quality Method	Date of Assessment
Number of clients of Albinvest has increased	Visits to the website measured through web counter Albinvest files on number of client queries	quarterly

Service of Albinvest improved	Number of responses to the queries to Albinvest increased	quarterly
Number of promotional activities of within and outside Albinvest increased	Albinvest feedback	Every six months
Improved operational planning and performance of Albinvest	Creation of Albinvest internal management Strategy Creation and assessment of a workflow diagram and operational manual; Completion of objectives identified in Albinvest internal strategy	quarterly
New IT systems enable Albinvest staff to capture contacts, view available projects, create library, etc.	Capability review	End of project

Activity Result 3 (Atlas Activity ID)	By end of July 2010, METE is better able to license and regulate industrial zones; Albinvest is better able to promote industrial zones.	Start Date: 1 August 2009 End Date: 31 July 2010
Purpose	Albania is moving quickly toward developing industrial zones. Seven zones have been identified and approved by METE. None of the actors have actual experience in the development, launch, maintenance, continued financing, and management of industrial zones. First, GTZ and later UNDP have provided valuable assistance in the startup process. Additional assistance is needed to ensure that the Government is well equipped to assist the municipalities developing zones and uphold its responsibilities to license, monitor and regulate under the law throughout the development process. Also, Albinvest needs to promote the industrial zones.	
Description	A detailed formal training program and advising should provide METE staff with a better understanding of business plans, promotion of industrial parks including brownfields, working with SMEs or developers to consider the IZs as good locations, better understanding of selected municipalities to identify areas to become industrial zones. Also, Albinvest will have a better understanding of the industrial properties available, why they are important and the opportunities they hold. A study tour will be conducted as they provide direct insight into best practices on the interrelationships and management activities of the actors.	
Quality Criteria	Quality Method	Date of Assessment
Beneficiary response to workshop/training program	Set of questionnaires to be completed at end of workshop	After workshop/program is completed
Report by beneficiaries on FDI Study Tour to neighboring country	Document review	30 days after study tour

VI. LEGAL TEXT

This document and the CPAP signed by the Government and UNDP which is referenced to constitute a Project Document as referred to in the SBAA and all CPAP provisions apply to this document.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

UNDP Resident Representative alone can make project revisions with regard to budget and timeframe. On substantive revisions, the approval and signature of Government will be required.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

Annex 1

Risk Analysis: An assessment of risks that may affect the project should be conducted during the formulation

RISK LOG

Project Title: Follow On to Enhancing Regional Trade and Attracting New Investment to Albania	Award ID:
	Date:

#	Description	Date Identified	Type	Impact & Probability	Counter measures / Mngmt response	Owner	Submitted updated by	Last Update	Status
1	UNCTAD support for FDI data and reporting not available	Prior to project beginning	Organizational	UNCTAD desires to provide additional technical assistance but its ability to support activities depend on the calendar and the demand on its personnel <i>Probability: 2</i> <i>Impact: 5</i>	Carefully try to coordinate plans with UNCTAD and hire international consultants familiar with the UNCTAD methodologies if UNCTAD is not available. experts	Project Manager	PM		
2	Major restructuring in the Albanian government	Prior to project beginning	Political	Political elections and/or the recommendations of the FIAS study may cause major changes in the organizations associated with FDI. <i>Probability: 3</i> <i>Impact: 5</i>	Work closely with the government to ensure that FDI is still important and that any re-engineered organization will need support.	Project Board	PM		