

SPECIAL ADVERTISING SECTION

Beyond Dialogue • Albania



ALBANIA: Bright Prospects Prevail

Albania faces the world in harsh relief—one side in the shadow of past problems, the other bright and expectant. It is a culturally rich country of many contrasts that is changing very quickly both politically and economically. In terms of political stability, strategic location, and economic reforms, many believe the country is one of the last remaining opportunities in Europe.

Prime Minister Sali Berisha first came to power 17 years ago and is back at the helm overseeing Albania's inclusion into the NATO alliance, scheduled for this year. According to the Prime Minister, "Joining NATO is recognition of our positive steps toward democracy and market-based institutions."

Since the end of communism, Albania has transformed itself from a closed, centrally planned economy towards a free market democracy. This reflects its political aspirations to move from the periphery to the

"Joining NATO is recognition of our positive steps toward democracy and market based institutions." —Sali Berisha

center of European affairs. The country's upcoming entry into NATO has boosted the confidence of international investors. High economic growth and stable inflation has further focused attention on Albania.

In 2008, inflation rose to 4.2%, two decimal points above target, but has now returned within government limits. The base interest rate stands at 6.25%, with economic growth at a steady 6% and predicted to stay that way. Investment from developed countries has doubled, with foreign acquisitions in the banking, min-



Albania's capital, Tirana, is growing fast.

ing, oil, and telecommunications industries.

Ardian Fullani, Governor of the Bank of Albania, sees structural reform as key: "To keep our growth rate and our fiscal and monetary policy on track we must continue to reform our investment infrastructure, energy sector, free market prospects, and land registry and make our legal system completely trustworthy."

"Society is resettling itself," says Pirro Misha, of the Open Society Foundation for Albania. "Young people are beginning to debate what it means to be Albanian and what it means to be a European."

The strength of trade relations with Italy continues to be an essential conduit to Albania's economic and structural growth. So too is regional cooperation in the Balkans. "International global investors see our region as a place for long-term investment," says Mr. Fullani, "No country can do it alone; this is a challenge for all of us."

In a country of Muslims, Orthodox Christians, Catholics, and non-believers there is healthy coexistence. The Albania of today wants to show the international community that a small country can catch up quickly, through a mixture of good policy and international help. ●

Eagle Mobile Swoops in on Local Market

In early 2008, the Turkish operator, Eagle Mobile, entered the Albanian mobile telephony market and began competing with Vodafone and AMC, a subsidiary of Greece's OTE. One year later, the company controls 12% of the market and is on target to surpass 20% by the end of 2009. "We made the fastest entrance into the market and brought new offers, prices and quality," says CEO, Ali Taskin. Beyond a growing stake in the market and a wider variety of services, notably Internet and mobile TV, Mr. Taskin explains that the company's long-term goal is to be active in the entire Balkan region. ●



A Champion of Change

Q & A With Dr. Sali R. Berisha, Prime Minister of Albania



Prime Minister Berisha called Albania's invitation to join NATO "a historic moment." We discuss this and other issues that have recently placed the country firmly on the path towards European integration.

How important was joining NATO for Albania?

This is historic because it is a success for Albanian foreign policy. It also demonstrates the unique consensus on the part of Albanians and all political parties which helped us become part of NATO.

Is that consensus unique?

Yes, in cooperation with the opposition, we reformed the electoral system, moving the country closer to a system of proportional representation. These reforms along with our judicial reforms were passed with an extremely consensual spirit.

Tell me about the law of zero tolerance you intro-

duced to fight corruption.

I promised Albanians I would dismantle criminal organizations. In the past two years we have dismantled 142 groups and we will work with the EU's authorities to track down those that remain. It is the only way we can move forward.

Would you say it has helped make European integration a little easier?

We wanted to win back foreign investor confidence so these reforms were introduced together with economic and fiscal reforms to create a favorable climate for business and investment. The Economic Summit (SEF) held in Albania also made a tangible contribution in the elaboration of business strategies. The echo of Albanian 10% flat tax rate has been heard around planet, so this country makes sense to the business world.

How would you rate domestic and foreign investor confidence today?

Britain's The Observer and The Telegraph lists Albania among the 20 most attractive countries for foreign investors. Energy investments top the list, but the projects in tourism, cement, mines, and oil have huge potential. In the last seven months big financial giants and insurance companies have established operations in Albania. Tourism is up 35% since last year. Foreign direct investment is expected to rise this year to more than 6% of GDP, so we are making great steps forward. ●



CITY PARK, TIRANA

AM Group's 40,000 square meters shopping mall, is expected to be completed during the first quarter of 2009, and will host some 150 retail units, supermarkets, food courts, and leisure facilities. It will also feature more than 3,000 parking spaces.

Investing in a Better Albania

The Vodafone Foundation is the first charity-focused organization set up by a foreign-owned company in Albania. Established to address some of the country's education, health, and environmental concerns, it seeks to improve the social welfare of people in need.

Sponsored by Vodafone Albania and the Vodafone Group Foundation, the charity's "World of Difference" program aims to share the benefits of developments in mobile communications technology in a way that protects the natural environment and serves local communities.

The foundation's commitment to helping the people of Albania was demonstrated last March in its quick response to an explosion in the village of Gerdec. It provided aid for the daily needs of 300 villagers and the reconstruction of the local school.



An Emerging Energy Superpower

Long-term investor Francesco Becchetti talks about Albania's diversified energy sector.

As a long-term investor in Albania, Francesco Becchetti, Chairman of the Becchetti Energy Group (BEG) of Italy, is seeing his early confidence justified and is predicting an even brighter future. "In Albania there are many foreign investors whose projects have the possibility of becoming reality," he says. "Premier Berisha is giving his full support."

This is no better exemplified than in the recent signing of two major energy contracts for a wind farm and a gas-powered electricity plant, worth \$1.5 billion, between Economy, Trade and Energy Minister Genc Ruli and Becchetti.

The deals also involve the building of a power cable running under the Adriatic Sea to connect the two countries' electricity networks, and Prime Minister Berisha predicts that Albania will become a small energy superpower in the Balkans.

The Balkans are at the crossroad of major energy corridors—gas lines, oil pipelines, and large power transmission lines—and Prime Minister Berisha is looking to establish Albania as part of a regional energy hub that would include Albania, Serbia, the former Yugoslav republic of Macedonia, Bosnia-Herzegovina, Montenegro, and Kosovo.

"We need to develop and identify the most efficient projects and not to fragment and disperse the energy and the money on nationally-oriented projects," explains Mr. Ruli.

Developing such a hub would include interconnecting lines with Montenegro and a high-voltage interconnection with Kosovo. "Kosovo is more than 90% dependent on thermal power plants, while Albania is 100% dependent on hydropower plants," says Mr. Ruli. "They are complimentary means of power generation and



Francesco Becchetti, Chairman of the Becchetti Energy Group (BEG)

"Europe is in great need of new renewable energy and Albania, because of its potential, its position, and the processes realized by the Minister of the Economy, is ready to be Europe's ideal provider."

—Francesco Becchetti

so with cooperation, we can reach a high level of development in our energy systems."

Another strategic interconnection would be with Macedonia, and these interconnections would continue from the Italian coast to the Albanian coast. "We are in the phase of signing further inter-governmental agreements in order to realize

these projects," explains Mr. Ruli.

In the energy sector, every country in the region is competing for foreign investment to improve the capacity of energy generation and transmission. Not all these national investments are fully rational and efficient. They would be doubly efficient if they were coordinated among neighboring countries.

"The region is made up of emerging small-market economies, so big investments at a regional level must be implemented to achieve economies of scale," says Mr. Ruli.

The European View

On a wider scale, European investment interest in Albania has never been so strong, and there has been a dramatic change in international investments over the last two years: up 60% in 2007 to \$300 million, they then doubled again in 2008.

The Albanian energy sector is attracting requests for information from several European companies. "There is a much larger participation in seminars and business conferences. In the first British-Albanian forum in London last year, more than 250 British companies took part," says Mr. Ruli.

There is no shortage of projects being tabled or approved. In 2007, the Swiss company EGL, together with the Norwegian company StatoilHydro, sealed a \$1 billion deal to develop a pipeline transporting Caspian and Middle East natural gas via Albania and under the Adriatic Sea to Italy.

Further encouraging news came from an independent study by American-based engineers Gustavson Associates, who claim the Swiss company Manas Petroleum has unproven reserves of up to 2.987 billion barrels

of oil and 3.014 trillion cubic feet of natural gas in Albania.

A new coal-fired thermal power plant is on the government's agenda from the large Italian energy company Enel, a facility that would provide power not only to Albania, but also to its neighbors with part of the production redirected to the Italian market.

"We are considering many investment proposals in thermal power plants," says President Berisha. "There is enormous interest in thermo production, with international consortiums ready to invest up to \$2.7 billion."

Partnership proposals also exist for building liquefied gas terminals near the ports, as well as associating these gasification units with thermal power plants. On a separate note, Albania has officially put itself on the pro-nuclear list in this part of the world.

Developing Clean Energy

"Europe is in great need of new renewable energy and Albania, because of its potential, its position, and the processes realized by the Minister of the Economy, is ready to be Europe's ideal provider," says Mr. Becchetti.

There is growing interest in developing renewable energy sources such as wind energy (the Italian company Moncada Costruzioni operates several wind farms), solar energy, and bio energy. The sector offering the greatest potential is Hydro production.

"There are big hydro capacities in Albania, Bosnia, and Serbia, but we have exploited only 35% of our own hydro-potential," says Mr. Ruli. "The construction of large hydro-power plants is right at the top of the Government's agenda."

Many other proposals from European companies for hydro-power generation have already met



Albania has exploited barely a third of its hydro potential.

with Government approval. One is Ashta Hydropower, and a bid by the Austrian company, EVN, on hydropower on the River Devolli has been concluded.

Already underway are two large international projects on the Vjosa River, with a financing package of \$1 billion. "My family has been active in the environmental sector since 1996 and I have long understood the value of renewable energy," says Mr. Becchetti. "Hydropower is clean and the best country to realize hydro-electric potential is Albania. Our project on the River Vjosa at Kalivac, a joint venture between BEG and Deutsche Bank, calls for the production of 380 Gigawatt hours per year. Our future plan is to create another 5 hydro-electric plants on the river."

Add to this list the \$4.5 million hydropower plant on the Drini River built by one of Austria's biggest companies, Kinglor, for the Katoca Project, and Evian's \$500 million investment for three hydropower stations, and it is easy to see why President Berisha is fuelled with optimism for this sector.

"Today, on the rivers of Albania, from Valbona, Cemi up to Vjosa and Drino, companies from all over Europe are creating projects for the

construction of hundreds of hydro-power stations of all capacities," he enthuses. "We aim to exploit around 60 billion Kilowatt potential."

According to projects put out to tender, \$1 million will be invested in Skavica and Devoll. There is continuing interest in the Vjosa river from the Deutsche Bank, Samsung, and several other companies. Other ear-marked projects are on the cascades of Osum, Shkumbin, Mat, Fan, and the rivers in the Alps.

With greater regional cooperation and the involvement of some of Europe's biggest companies in the energy investment sector, Mr. Ruli sees Albania's enthusiasm as well placed.

"There is another type of energy," he concludes, "the energy in our people. Albanians have been restrained throughout history but in this new age they are very ambitious and energetic to see our country do well."

Italian Prime Minister Silvio Berlusconi, who attended the signing ceremony of the \$1.5 billion energy deal, has promised to back Albania's efforts to join the EU. Europe is in great need of new renewable energy and Albania, thanks to its potential, geography, and economic reforms, is ready to be Europe's ideal provider. ●

Helping Construct a Nation

If there is one foreign investor that has been intimately linked with Albania's modernization over the past 17 years, it is MAK Albania.

MAK is owned by the Kuwait-based Kharafi Group—a multi-national, multi-faceted organization with a wide variety of interests covering construction, manufacturing, investment, communications, hotels, and tourism. The group has branches and subsidiaries in more than 25 different countries employing 120,000 people, and boasts an annual turnover of \$3 billion.

In 1992, through MAK Albania, the Kharafi Group became one of the first foreign companies to invest in the country.

"Albania was seen as a stepping stone to Europe," explains a MAK spokesperson, "a developing country beginning to establish a free market economy, offering huge possibilities to foreign investors."

A company such as the Kharafi Group can clearly be of great assistance to a developing democracy. "We look to enter into cooperation or ventures with countries or business sectors, and we are constantly talking to business groups and governments to understand the practices, culture, needs, and potential."

Currently, the Kharafi Group sees investment opportunities in banking, real estate development, mining, and power generation. Albania has considerable water resources, and plans have already been drawn up for a number of hy-

dro power plants. Alternative power generation from wind and thermo power is also on the agenda.

Building on Success

Wherever the Kharafi Group works around the world, its philosophy is always to work with gov-



The Sheraton Tirana (above) the first five star hotel in Albania.

MAK Albania built Chalets (right) on the outskirts of Tirana.



ernment and businesses in helping to support and develop their infrastructure.

Proud of constructing the first five-star hotel in the country (the Sheraton Hotel and Towers in Tirana), MAK Albania went on to purchase Saranda's five-star Butrinti hotel. Other developments include a motel in Linza near Tirana, and 20 luxury villas in the capital. MAK has also invested in two tourist villages in Ksamil and Golem.

One stumbling block, however, continues to be the lack of a proper road network throughout the country. Improving infrastructure is a key priority for the Albanian government, with 3% of the country's GDP set aside for large-scale projects; \$1 billion is earmarked for the road network this year. "In Albania

the investment climate in the country is improving," says a spokesman for MAK, "and we are following with interest the government initiative for the construction of new roads and the rehabilitation of existing ones."

The Secondary and Local Roads Project for Albania is underway and will improve access to essential services and economic markets via the provision of all-weather roads for the resident population in the hinterland.

Projects such as the Durrës-Kosovo highway promise to slash travel times and transform the economy of the northern part of the country. This highway should be

completed by the end of the year. With Serbia also building new highways, Albania and Kosovo could soon be linked into the wider pan-European transport network.

Diminishing trade barriers, starting with a bilateral pact in 2003 and reinforced through the Central European Free Trade Agreement last year, bring such visions closer to reality. The construction of the Joint Border Crossing Point between Albania and Montenegro, the very first of its kind in the western Balkans, will improve cooperation between the two countries. Slovakia is also keen to increase its cooperation with Albania and strengthen economic ties.

Through MAK Albania, the Kharafi group sees itself as having an essential role to play. "We believe that by assisting Albania in the upgrade and support of those sectors that improve living standards, further investment will come, bringing much needed financial aid in support of this new independent democracy." ●

TICK

any box that's your interest(s) too

- Agency representation ■ Agriculture ■ Aluminium extrusion
- Airport construction & operation ■ Aviation ■ Banking
- BOT schemes ■ Chemical extraction & processing
- Communications Computers & accessories ■ Contracting & construction
- Education ■ Electro-mechanical engineering
- Electronics assembly ■ Food manufacturing & distribution
- Franchise restaurants ■ Glass manufacturing ■ Hotels ■ Insurance
- Investment & development ■ Joint ventures ■ Natural gas distribution
- News collection & distribution ■ Paper manufacturing & supply
- Plastics manufacturing ■ Pre-cast concrete ■ Process engineering
- Public Private Partnerships ■ Ready-mix concrete ■ Smart card manufacturing
- Steel fabrication ■ Travel & tourism
- Welded steel pipe manufacturing ■ Waste water treatment plants

CLICK

for further information

We are the Kharafi Group of Kuwait.
Turnover \$5 billion and growing.
Interests, varied and expanding.
Attitude to new business
opportunities, listening and open.

For further information about
those of our interests that interest
you, send for a copy of our corporate
DVD or click on www.makharafi.net



The
M.A. Kharafi Group

of Kuwait

Marketing Department, Mohamed Abdulmohsin Al-Kharafi & Sons W.L.L.
PO Box 886 Safat 13009 Kuwait. Tel: (965) 481 3622/25. Fax: (965) 483 0078
darnold@makharafi.net

