

# The Albanian Advantage for Leather and Shoe Producers



Albania is one of the world's leading shoe and leather producers. This is a sector where the undoubted skills of the country's 20,000-strong low cost workforce create major added value for their employers. More than a hundred firms together produce over 1.2 million pairs of shoes in Albania every month. Many are regularly investing to improve production efficiency and some are delivering their products on a just-in-time basis to Italy within 24 hours.

All of them are accessing the **Albanian advantage**, the benefits that come from investing in a politically stable, fast-growing low cost European economy that is today's gateway for European manufacturers to southern Europe.

Albania is a Mediterranean country of just over three million people. It has a highly youthful age profile: the median age of the population is a youthful 29 years.

Its geographic position and offer easy access to both the Balkans and to EU countries.

Tirana International Airport (Rinas) is just 29km from the city centre.

Non-stop daily flights to:

To	Flight Time
Bari	40 mins
Bologna	1 hour 30 mins
Rome	1 hour 40 mins
Milan	2 hours
Athens	1 hour 35 mins
Frankfurt	2 hours 30 mins
Vienna	1 hour 45 mins

## Stability & Growth

Political stability and a predictable business environment are crucial for manufacturers and investors. Albania held internationally-recognised free multi-party elections back in 1997 and the new government elected in 2005 is keenly promoting a platform of pro-business and pro-investment objectives. Negotiations with the European Union to sign an Association Agreement, a preliminary to full membership negotiations were completed and an agreement signed in June 2006.

## Gateway to Regional & EU Markets

Access to regional markets is also vital for investors. Albania has functioning Free Trade Agreements with its Balkan neighbours that allow manufacturers based in Albania to use the country as a gateway to markets in southern Europe as well as via transshipment to the EU. Albania's domestic economy has grown steadily at more than 5% annually in all but one year since 1998. The country's low, stable inflation rate that has been under control for seven years.

## Track Record

Several hundred foreign companies have to set up operations in Albania in recent years with an almost equal split between manufacturing projects and business services & infrastructure investments. Physical conditions are improving every month as the country's infrastructure, previously starved of investment undergoes major refurbishment and development in key areas such as electricity supply and road networks.

# The Albanian Shoe and Leather sector is successful

The Albanian shoe & leather sector has built upon a long history to establish a modern track record in quality production. Albanian managers demonstrate the leadership skills needed to run efficient export-oriented manufacturing operations and the highly flexible local workforce is experienced at maintaining high quality standards within ISO-accredited factories.

Several dozen foreign firms, employing on average 100 staff each, now operate across the country processing and assembling shoes, leather uppers, other leather parts and accessories as well as specialist footwear. Exports of Albanian footwear have doubled in the three years to 2005.

A traditional sector offering massive potential;

- > Some of the most advanced shoe factories in the world have been built in Albania, and many companies are adopting advanced production techniques and have ISO9001 certification.
- > Albania has over 20,000 shoe & leather workers and more than 12,000 students following vocational training courses in engineering. The number of students in Albania is growing rapidly, ensuring a continuous supply of technically qualified workers.
- > Labour costs in the shoe and leather sector at around €140-170 per month are one-tenth those in Italy and one-fifth the cost in Greece. Wages in Albania are one-third to one-half of levels elsewhere in the region. Since EU enlargement, Albania is becoming even more cost competitive as wages rise in Eastern Europe and Balkan countries.
- > Few shoe and leather plants in Albania have trade unions, and the labour force is highly rated by investors for its commitment to quality, stability and flexibility.
- > Incoming firms find they are able to source an increased amount of leather from local providers for export processing. There are growing opportunities for leather processing companies to invest and service the raw material needs of the major shoe manufacturers in an increasingly just-in-time (JIT) environment.

## Key areas of growth:

- 1 Safety shoes exported to global markets
- 2 All types of shoe production and assembly for Balkan and European markets
- 3 Leather processing for Albanian shoe producers and for the European market
- 4 Leather accessories for the Balkan and European markets

## PROFILE: Global export hub

The joint venture between Italian firm Adelchi and the Albanian firm Doni Anna is more than a decade old. Today it is building its fourth factory and employs well over a thousand workers.

Albania is a critical export platform for the company, which treats it as a global hub for JIT shipments destined for the USA, Italy and Canada. Exports to the USA are proudly made under the 'Made in Albania' brand.

## PROFILE: Competitive production base

Another long-time investor, the Italian firm Filanto, employs 1,500 people in Albania and exports 100% of its daily output of 10,000 pairs to Italy where its products are distributed throughout the EU.

## PROFILE: JIT production centre

The joint venture company of Cofra and Albaco Shoes manufactures PVC safety shoes in a JIT production centre for the export market. Output in 2004 exceeded 1.5 million pairs, all exported to Italy and then re-exported internationally.

With high quality, ISO certified multi-model products, JIT production is essential to respond rapidly to specialist customer orders. The entire production process is completed in Albania, including CAD-CAM, manufacturing and assembly.

# And don't just take our word for it...

## Development Potential

Albania's gateway position between Western Europe and the newly growing markets in the Balkans and southern Europe means it can act as an efficient production and export centre serving both areas.

*"The shoe sector in Albania has strong capacities and development potential. It is well on the way to becoming a key manufacturing base for Italian shoe producers."*

Analyst, PISIE (Politecnico Internazionale per lo sviluppo industriale ed economico)

## Skilled workforce

A pool of skilled staff is available across the country. Albania has a young population and the number of students entering tertiary education and graduating into the workforce is rising.

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Head of Human Resources, Raiffeisen Bank (Austria)

## JIT Delivery

Foreign-owned garments companies are producing goods for export to high quality standards, many on a just-in-time basis in factories rated to ISO9001 standards.

*"Delivery time is very important to our clients. We can deliver an order to Italy within 24 hours."*

Administrator, safety shoes' manufacturer Cofra/Albaco (Italy)

## Opportunities for Growth

Sourcing locally is an important feature of the shoe & leather sector, and one that offers a great deal of scope for development.

*"Albania is the most cost competitive location in Europe for shoe production. The good quality of the Albanian leather signals an opportunity for the further development of the sector."*

Owner, Doni Anna/Adelchi (Italy)

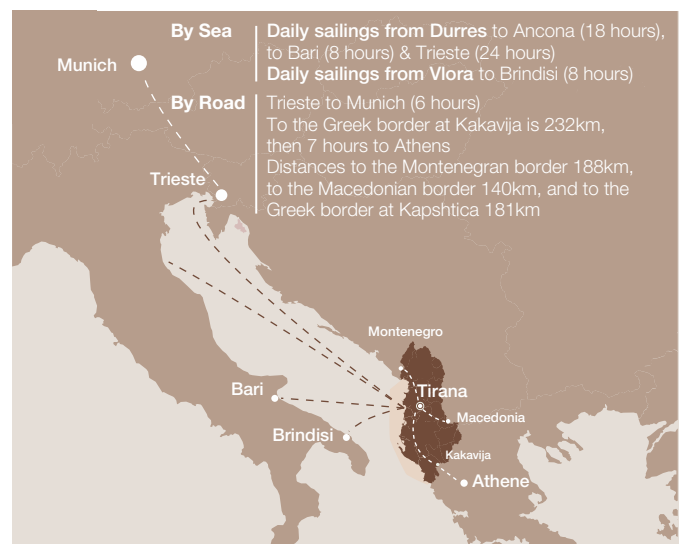
## Strategic Location

Goods can be shipped directly by sea, or by road via Croatia to the trans-European road network. Flight times from the Albanian capital Tirana to Rome or Bologna are just 90 minutes and to Milan or Athens less than 2 hours.

*"The main reasons for investing in Albania were the geographical position, low labour cost, the good quality levels and the flexibility of production. An important factor for Filanto is the ability to deliver just in time production."*

Manager, Filanto (Italy) Albanian Subsidiary

Goods can be shipped by sea within hours to European ports from Dures or Vlore, and by road to EU destinations or direct to Greece.



# Seven key benefits for investors in Albania

# 1

## Expanding domestic economy & regional exports herald future growth

Albania is building up a consistent track record of economic expansion based around export growth, a low and stable inflation rate, and growing per capita incomes. Its GDP and export growth rates were the fastest in South East Europe from 1997 to 2004.

# 2

## Low inflation signals a secure investment environment

Business craves a predictable environment in which to operate. Consistent low inflation rates show that Albania is able to provide the economic stability that investors need to see in order to have the confidence to invest.

# 3

## Established trading pattern with the EU is ready for growth

Albania is an established trade partner with the EU. Almost 90% of Albania's exports are delivered to EU countries that lie to the north and west as well as to Greece to the south.

# 4

## Albania is the gateway to the Free Trade area of the Balkans

Albania benefits from extensive Free Trade Area agreements with the Balkan nations that lie to the east of the country. Investors can manufacture in Albania for export to the 50 million population of the Balkans as well as to the EU.

# 5

## Albania has lower wage and 'on costs' than its neighbours

Gross wage costs are a fraction of its competitors' within the region, including Romania and Bulgaria, while social security 'on costs' in Albania amount to just 30.7% of gross wages.

# 6

## Sites are available from simple production space to high quality offices

Sites and premises are available in Albania ranging from basic production facilities across the country to high quality serviced office space in the country's main cities.

Industrial sites are available in Albania more cheaply than in Eastern Europe or other Balkan countries. Electricity and water costs are extremely competitive in regional terms.

Factory units are available for refurbishment; in many cases these are owned by the government which is offering attractive leasing deals based upon the number of jobs created.

# 7

## The government is simplifying administrative & business regulations

Albania is working hard to improve its administrative procedures. According to the World Bank, starting a business in Albania requires only a few more procedures than the EU average while the flexibility to release workers is rated as far better in Albania than in EU, Balkan or East European countries. With a pro-business government in place, simplifying the administration will remain a priority that will benefit all businesses in Albania.

Looked at together, these seven key benefits demonstrate that the Albanian advantage is both considerable and growing.

Albania represents a strong investment opportunity and is a country that is capable of delivering huge benefits to European shoe and leather manufacturers choosing it as their next investment location.



**ALBINVEST**



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To find out more about opportunities in Albania and how they can benefit your company, contact:

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