

AmCham

Business INDEX 2013 - 2014



May 2014

AmCham

Business
INDEX
2013 - 2014

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LETTER FROM THE U.S. AMBASSADOR

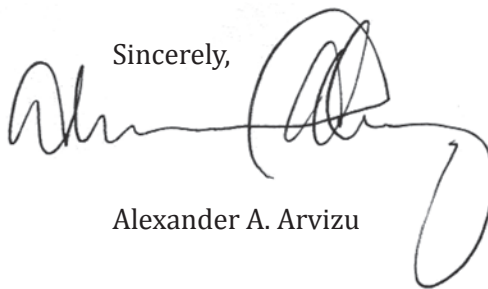
Dear American Chamber of Commerce Members,

I want to congratulate the American Chamber of Commerce on the publication of its second annual AmCham Business Index, or ABI. The ABI serves as an important tool for U.S. and foreign investors to assess the challenges and opportunities of doing business in Albania. With every subsequent publication, the ABI will become even more valuable as we identify emerging trends in the business community and develop benchmarks to compare against previous years.

Last year's ABI was very helpful in assisting AmCham efforts to engage with government and political leaders, and I am sure that this year's publication will be even more useful as the AmCham works with the government on key concerns of the business community. Not only is the ABI critical to focusing AmCham priorities, it also provides clear and quantifiable data for the government to help shape its business and investment policies. Although the ABI decreased slightly from 2012 to 2013, I am encouraged to learn that AmCham members expect the business climate to improve in 2014. This document will serve as a roadmap for the government as it develops policies to meet these expectations and to address the major issues of concern in the report, such as promoting transparency and greater formality in the market, and continuing the fight against corruption.

The United States Embassy in Tirana is proud to support the AmCham and the ABI and will continue to cooperate closely with its members in promoting the interests of the U.S business community in Albania.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alexander A. Arvizu', with a large, stylized flourish extending to the right.

Alexander A. Arvizu

LETTER FROM THE AMCHAM PRESIDENT

Dear AmCham Members,

I am very pleased to present the second edition of the AmCham Business Index, an instrument which helps the American Chamber of Commerce in Albania and its members to measure and compare the business climate in the country over time. Last year, the AmCham was able to use the Index to establish a baseline of valuable data and this year the Chamber is building upon that good work.

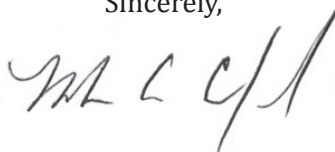
The AmCham Business Index measures the most important areas of the economy affecting our members during the 2013 calendar year. Members answered survey questions that covered political risk, efficient tax policy, the perception of corruption and informal economy, the application of rule of law, and other issues on the local economy. While there are many areas that are important in an absolute sense, the AmCham Business Index is particularly reflective of those issues that impact our members most.

I am very pleased with the results of the Index, which highlights the challenges that the AmCham business community is facing, and by doing so, focuses the AmCham leadership when working with the Albanian Government and other actors to improve the business environment in Albania.

The AmCham Business Index will continue to be published every year, and its findings will be shared with AmCham members, the government, and other institutions.

I would like to specifically thank the outgoing AmCham Secretary, Benard Shehu, and his firm KONSORT for their hard work and outstanding results in preparing this Index for the Chamber.

Sincerely,

A handwritten signature in black ink, appearing to read 'M C Crawford', written in a cursive style.

Mark Crawford

ACKNOWLEDGEMENTS

The American Chamber of Commerce in Albania gratefully acknowledges the Deputy Chief of Mission of the US Embassy in Tirana, Mr. Henry Jardine and the former Secretary of AmCham Mr. Benard Shehu, CEO of Konsort, for introducing the idea and creating the AmCham Business Index.

Further acknowledgment goes to the President of AmCham Mr. Mark Crawford, to the Board Members Mr. Genti Daci Vice-president, Mr. Genci Likoskendaj Secretary, Ms. Alketa Uruçi Treasurer, Mr. Aleksander Sarapuli, Mr. Adrian Shehu, Mr. Avni Ponari, Mr. Elton Çollaku, Mrs. Julia Janecko, Mrs. Loreta Peçi, Mr. Peter Clavelle, to the former Vice-president Mr. Arsen Kurti, to the former Treasurer Mr. Steve Nutley and to Mr. Donald Brown from the US Embassy, for embracing and supporting this project.

A special thank you goes to the Executive Director Mrs. Floreta Luli-Faber and to the AmCham staff for their contribution on the publication of both survey and report and the encouragement of AmCham Members to participate in it; to all Konsort consultants, data analysts and web designers who contributed to this project.

Finally AmCham gratefully thanks all AmCham members who participated in this second AmCham Business Index survey.

Thank you.

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EXECUTIVE SUMMARY

The 2013 AmCham Business Index is: **40.21** out of 100, with a rising trend for 2014.

On 2013 the business climate has declined. More than half of the AmCham members (61%) consider that the business climate in Albania on 2013 was unfavorable or very unfavorable. The expectation for the business climate on 2014 (39.25) is higher than 2013 (33.42).

The respondents perceived informal economy (24.49), government bureaucracy (26.02), monopoly or unfair competition (29.85) as the three top concerns for 2013.

The respondents had a positive perception on factors like energy supply, the relation with customs authorities, local government, ministries, tax authorities and courts of justice while the perception for “Economic Reforms and Government Policy” and “Order and safety” has significantly decreased during 2013.

For AmCham members the deceleration of the Albanian economy in 2013 (30.12) has slowed down compared to 2012 (26.80) and they expect that this positive movement will continue during 2014 (43.01). The demand for goods and service has also improved in 2013 and is expected to grow in 2014 while the demand for goods and services for export has slightly decreased during 2013.

The majority of AmCham members continued to invest in 2013 and they intend to continue that trend in 2014. On the same time, for 48.9% of them it was difficult or very difficult to finance their activity and they believe that the banking policy and services had an unfavorable tendency in 2013.

The majority of the respondent companies have kept or increased the employment levels on 2013 and that trend will continue in 2014. For most of them it was difficult or very difficult to find qualified local staff during 2013 and they expect deterioration for 2014.

The AmCham Business Index (ABI) is a yearly index created by the American Chamber of Commerce that measures the perception of AmCham members for the Business Climate in Albania.

The index measures important elements like government policy, level of taxes, corruption, informality, application of law, and also elements related to the performance of businesses and Albanian economy.

This index allows AmCham to identify and measure the problems that the business community is facing and enables the Chamber to work with the government and other actors to improve the business environment in Albania.

The index and its report are published every year and its findings are shared with AmCham members, the government, and other institutions. The first AmCham Business Index was published in May 2013.

AmCham Business Index has three main components:

- The **Survey** of AmCham members, with questions related to the business environment in Albania.
- The **Report**, which analyzes and presents the survey results.
- The **Index** itself which represents in a single number the perception of the AmCham members for the business environment in Albania.

The 2013-2014 survey was conducted online from February 5th to March 25th, 2014 using an international online platform (SurveyMonkey.com).

The survey was addressed exclusively to AmCham Albania members and requested their opinion regarding the business environment in Albania during the previous year (2013) and their estimation for the current year (2014).

The survey had 44 multiple-choice questions grouped into logical sections. The participants could choose to fill out the questionnaire either in English or Albanian language.

AmCham requested that the survey should be completed by company Presidents, Administrators, CEO-s or high level executives.

The survey was anonymous and the collected data do not allow the identification of the respondent's answers. The closure of the survey and the transfer of the data were done in the presence of a public notary and a copy of anonymous data was deposited at the public notary.

The AmCham Business Index survey and this report were approved by the AmCham Board.

2 PARTICIPANTS

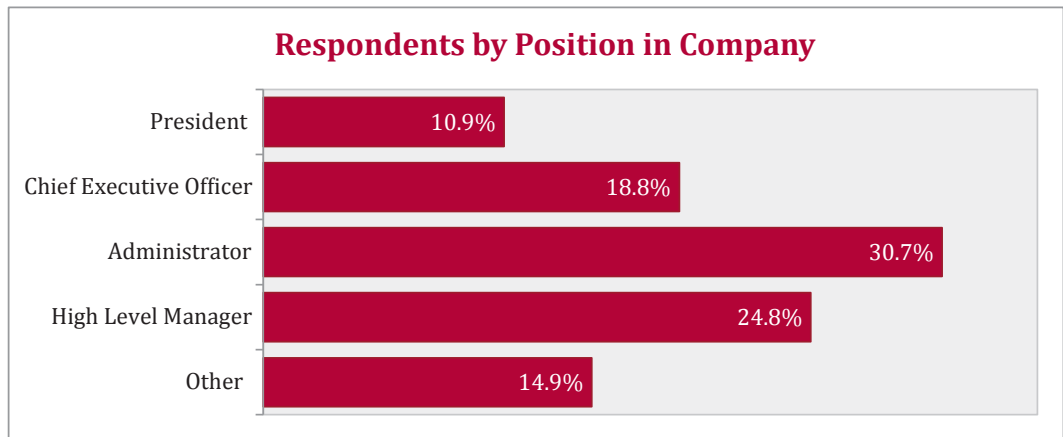
2.1 RESPONSE RATE

The total number of companies that participated in the survey is 101 out of 215 AmCham members. From the 101 participants, 93 of them had fully completed the survey by answering to all the questions.

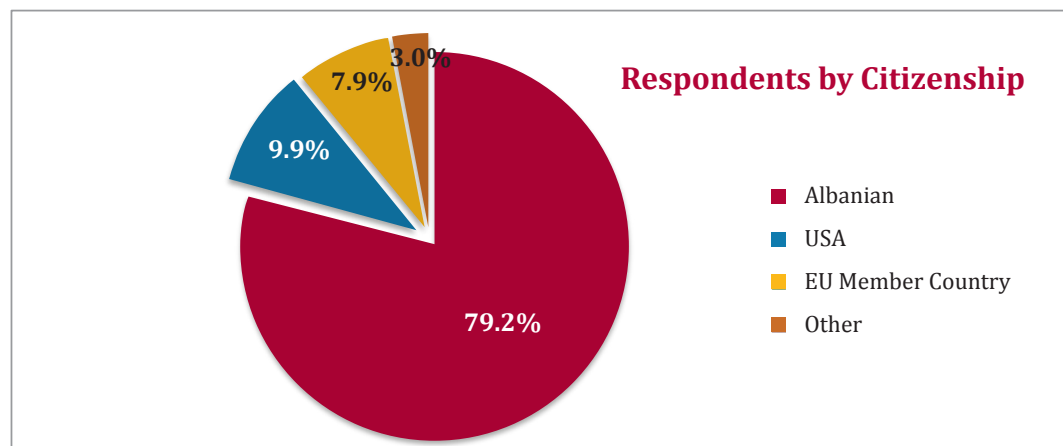
All the answers from all participants are included in the results of the survey. The results in graphs are displayed in percentages and rounded up to one decimal digit, while in description texts are rounded up to zero digits.

2.2 RESPONDENTS PROFILE

The majority of participants hold a high level position in their company including Presidents, CEOs, Administrators or high level Executives.



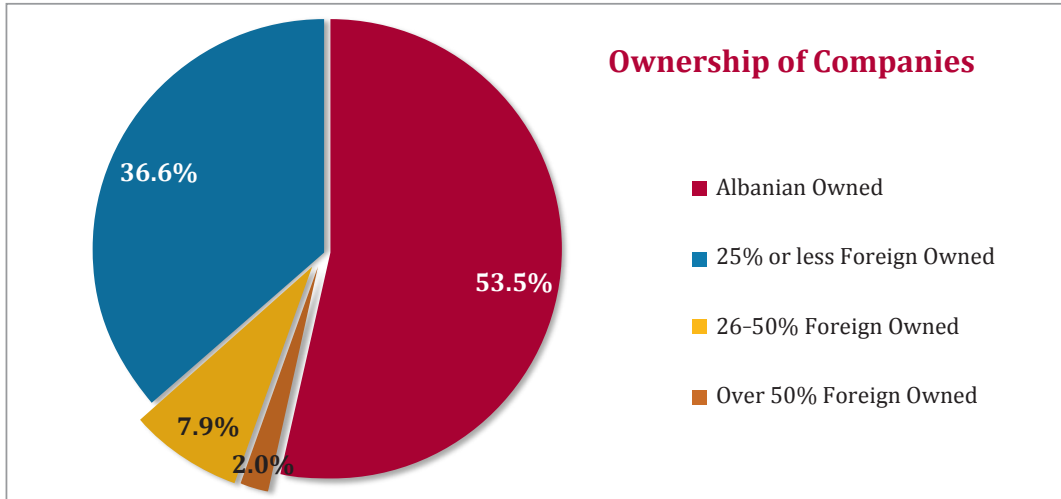
Regarding the citizenship of respondents, results show that the largest group is Albanians followed by USA and EU Countries.



2.3 PROFILE OF PARTICIPATING COMPANIES

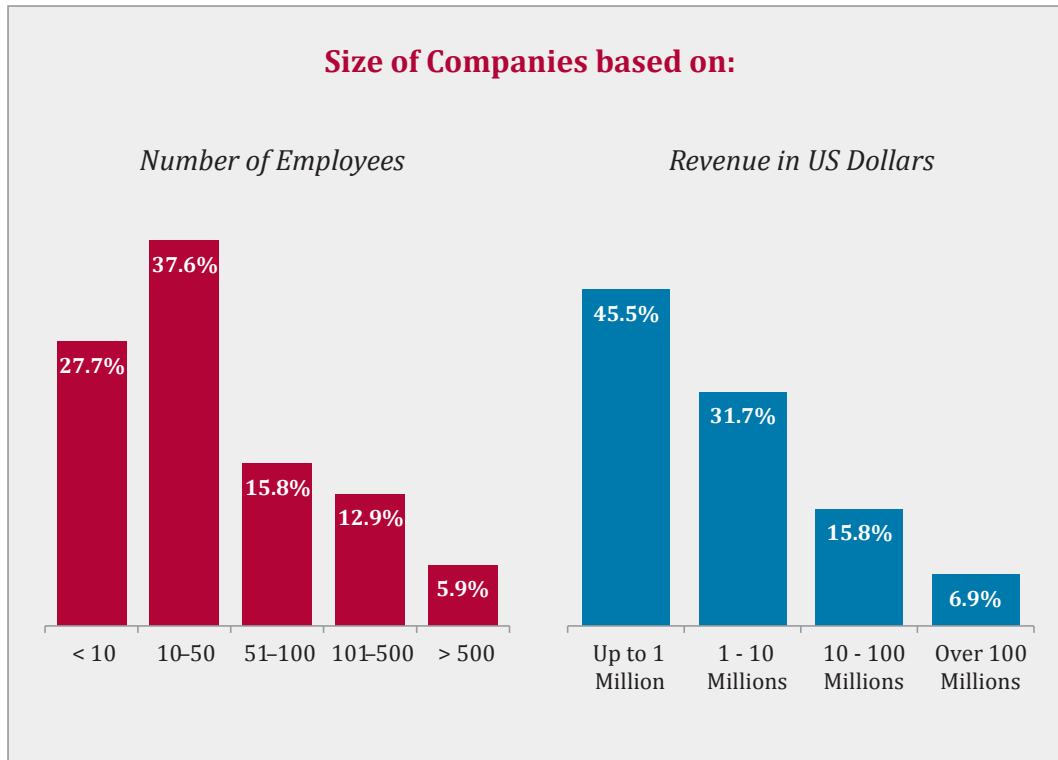
Ownership of Companies

The following chart shows the ownership structure of companies that participated in the survey.



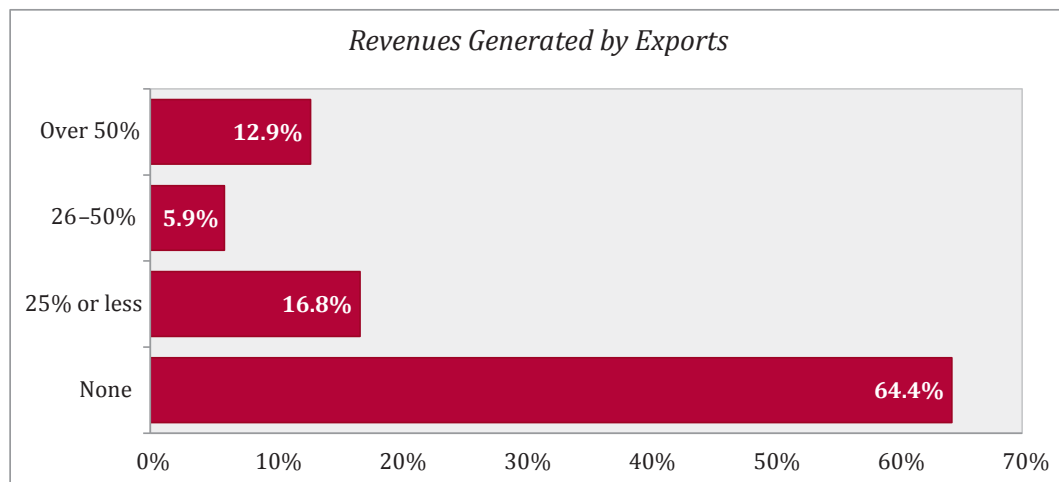
Size of Companies

The size of participating companies based on their number of employees and the revenue generated in 2013.



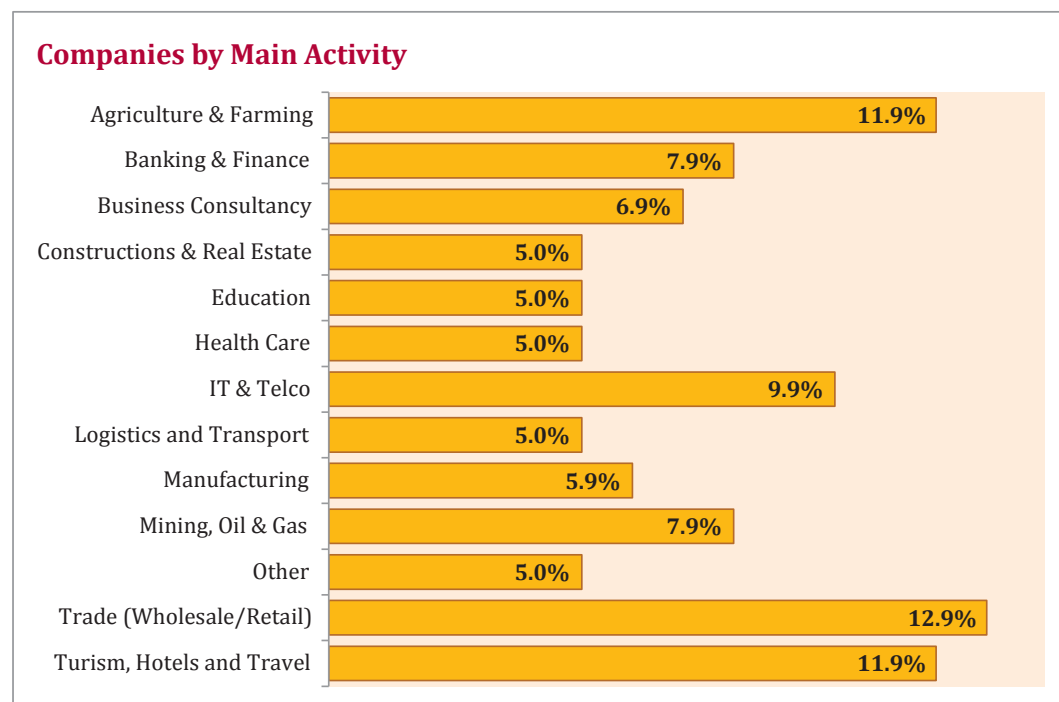
Export Revenues

More than one third of participating companies generated revenues from export activities, while the rest were mostly focused on the Albanian market.



Main Activities of Companies

The profile of main activity for companies that participated in the survey is showed in the next chart.



Other (Non-Profit Organization, Security Services, etc.)*

3 AMCHAM BUSINESS INDEX

3.1 CALCULATION OF THE INDEX

The AmCham Business Index represents the perception of AmCham members for the business climate in Albania. This Index is calculated based on the set of questions listed in the following table:

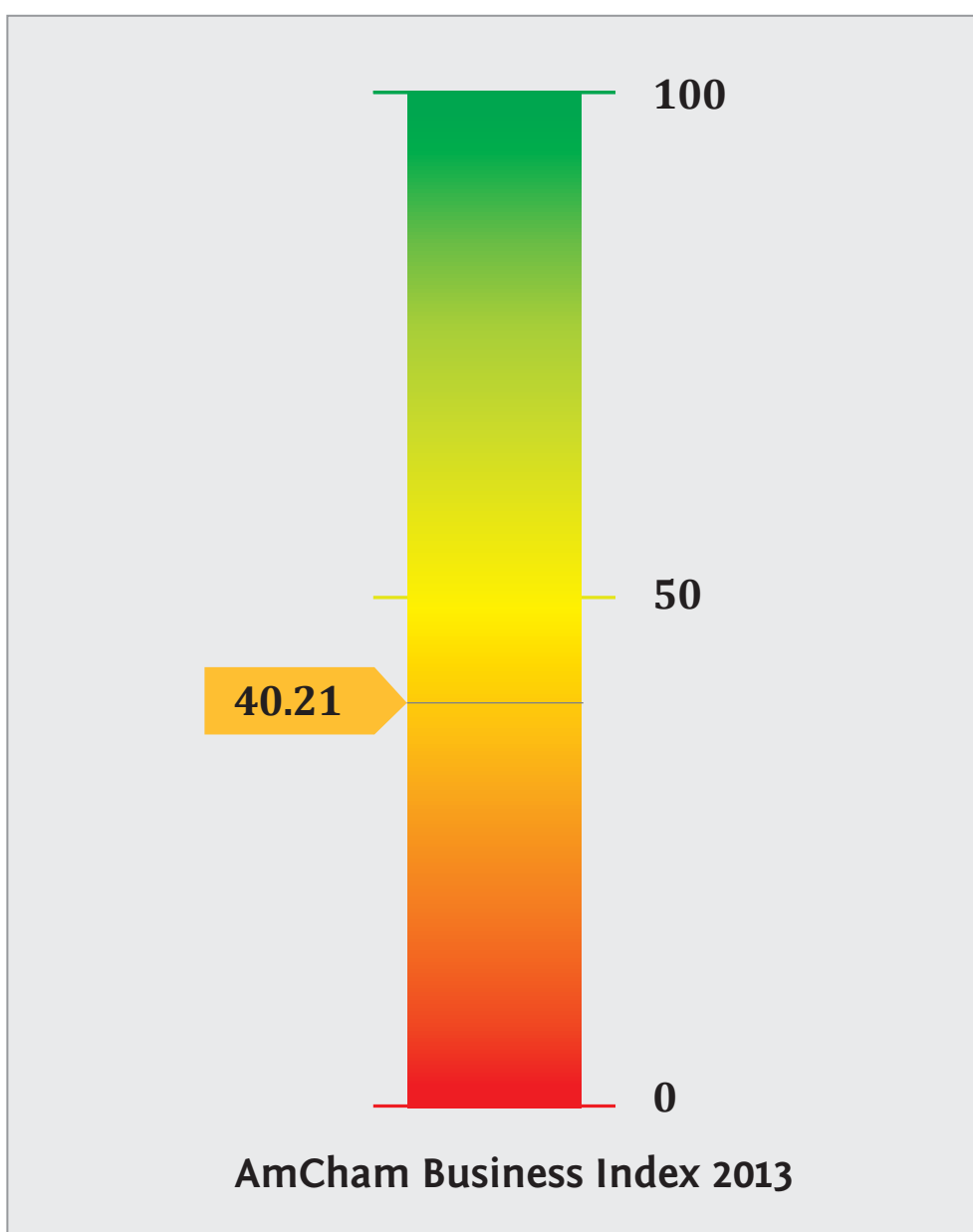
AmCham Albania Business Index Table	
Questions	Weights
	100%
Overall Business Climate	25%
<i>How was the business climate in Albania for the last year?</i>	25%
Business Climate Factors	25%
<i>Please rate the level of the following factors for the last year in relation to your business activity?</i>	
Corruption level	2.5%
Government bureaucracy	2.5%
Informal economy level	2.5%
Monopoly and unfair competition	2.5%
<i>Please rate the level of the following factors for the last year in relation to your business activity?</i>	
Order and safety	2.5%
Internal political climate	2.5%
Infrastructure	2.5%
Energy supply	2.5%
Private Property	2.5%
Intellectual Property	2.5%
Government Policy	20%
<i>How was the relation of your business with the following public institutions for the last year?</i>	
Relation with tax authorities	1%
Relation with customs authorities	1%
Relation with ministries	1%
Relation with local government	1%
Relation with courts of justice	1%
<i>How do you consider the economic reforms and central government policy in the last year for your business?</i>	4%
<i>How do you consider the overall tax level applied in the last year for your business?</i>	5%
<i>How do you consider the application of the laws and regulations toward your business in the last year?</i>	6%
Performance of the Economy	5%
<i>How do you consider the performance of the Albanian economy during last year?</i>	5%
Business Activity	15%
<i>How has the demand for your firm's goods and services developed during the last year?</i>	6%
<i>How has your firm's total employment changed last year?</i>	6%
<i>How has your company investment changed during last year?</i>	3%
Financial Environment	5%
<i>How easy was for your company to assure financing for business development during last year?</i>	5%
Human Resources	5%
<i>How easy was for your company to find local qualified staff during last year?</i>	5%

Each question used for the calculation of the index has a weight which is based on its relative significance on the overall business environment in Albania. The sum of all weighted results of these questions is the result of AmCham Business Index.

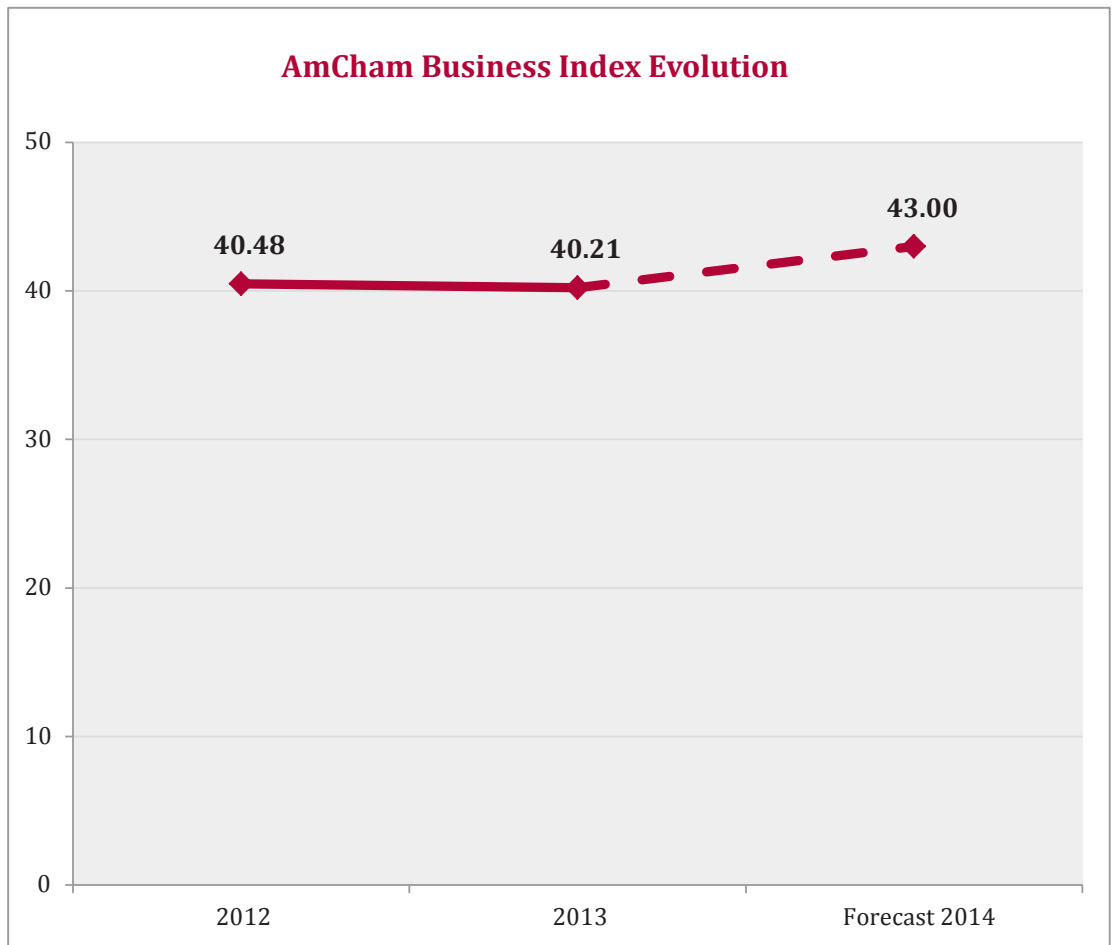
**The detailed information regarding the calculation methodology of the index can be found in [Annex II](#) of this document.*

3.2 AMCHAM BUSINESS INDEX RESULT FOR 2013

The result for 2013 of AmCham Business Index is **40.21** out of 100 with a tendency to rise in 2014.



The following chart shows the evolution of AmCham Business Index during 2012 and 2013 a projection for 2014. Higher results are better.



3.3 INDIVIDUAL QUESTIONS RESULTS FOR 2013 AND 2014

The below table presents the consolidated results for every question included in the AmCham Business Index Survey. (The minimum possible score is 0 and the maximum score is 100). These questions are sorted from the one that received the lowest score to the question that received the highest one.

Sort	Question (Short Version)	Results 2013	Forecast 2014	
1	Informal Economy Level	24.49		
2	Government Bureaucracy	26.02		
3	Monopoly and Unfair Competition	29.85		
4	Performance of the Albanian Economy	30.21	43.01	▲
5	Corruption Level	30.87		
6	Internal Political Climate	33.16		
7	Business Climate	33.42	39.25	▲
8	Local Qualified Staff Finding	36.46	35.75	▼
9	Assurance of Financing for Business Development	37.76	38.98	▲
10	Economic Reforms and Central Government Policy	38.28	43.01	▲
11	Application of Laws and Regulations	41.41		
12	Infrastructure	45.41		
13	Goods and Services Demand	45.57	52.69	▲
14	Banking Policies and Services**	45.83		
15	Order and Safety in the Country	45.92		
16	Intellectual Property	45.92		
17	Overall Tax Level Applied	49.48		
18	Private Property	49.49		
19	Relation with Courts of Justice	51.04		
20	Total Employment Change	51.56	52.15	▲
21	Total Investments Change	52.60	53.23	▲
22	Relation with Tax Authorities	54.69		
23	Goods and Services Demand in Exports**	55.88	56.25	▲
24	Relation with Ministries	58.33		
25	Relation with Local Government	59.11		
26	Relation with Customs Authorities	59.64		
27	Energy Supply	65.31		

**The detailed information regarding the results calculation can be found in Annex II of this document.*

***The results of these questions are not included in the AmCham Business Index calculation.*

3.4 INDIVIDUAL QUESTIONS RESULTS COMPARISON BETWEEN 2012 AND 2013

The table below presents the comparison of AmCham Business Index Survey consolidated results of 2012 and 2013. The results are sorted based on 2012 scores, from the one that received the lowest score to the one that received the highest one.

Sort	Question (Short Version)	Results 2012	Results 2013	Tendency in 2013
1	Performance of the Albanian Economy	26.80	30.21	▲
2	Internal Political Climate	29.34	33.16	▲
3	Informal Economy Level	29.59	24.49	▼
4	Government Bureaucracy	30.36	26.02	▼
5	Monopoly and Unfair Competition	33.42	29.85	▼
6	Local Qualified Staff Finding	33.78	36.46	▲
7	Corruption Level	34.44	30.87	▼
8	Business Climate	34.95	33.42	▼
9	Assurance of Financing for Business Development	36.05	37.76	▲
10	Application of Laws and Regulations	37.89	41.41	▲
11	Goods and Services Demand	43.95	45.57	▲
12	Economic Reforms and Central Government Policy	46.39	38.28	▼
13	Banking Policies and Services**	47.37	45.83	▼
14	Overall Tax Level Applied	48.71	49.48	▲
15	Intellectual Property	48.72	45.92	▼
16	Infrastructure	48.98	45.41	▼
17	Relation with Courts of Justice	49.23	51.04	▲
18	Total Employment Change	49.74	51.56	▲
19	Total Investments Change	50.00	52.60	▲
20	Order and Safety in the Country	50.77	45.92	▼
21	Private Property	51.79	49.49	▼
22	Relation with Tax Authorities	52.84	54.69	▲
23	Relation with Ministries	57.47	58.33	▲
24	Goods and Services Demand in Exports**	58.04	55.88	▼
25	Relation with Local Government	58.51	59.11	▲
26	Energy Supply	60.20	65.31	▲
27	Relation with Customs Authorities	60.57	59.64	▼

4 SURVEY RESULTS

4.1 OVERALL BUSINESS CLIMATE

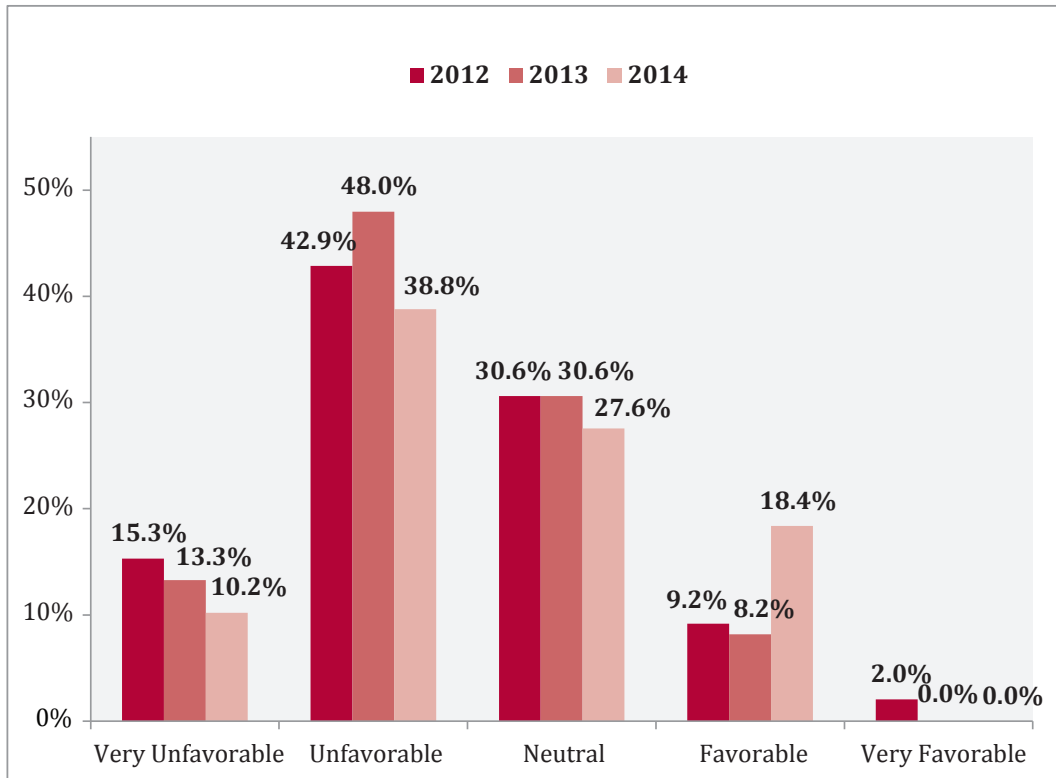
This section presents the opinion of AmCham Albania Members regarding the overall business climate in Albania during 2013 and their expectation for 2014.

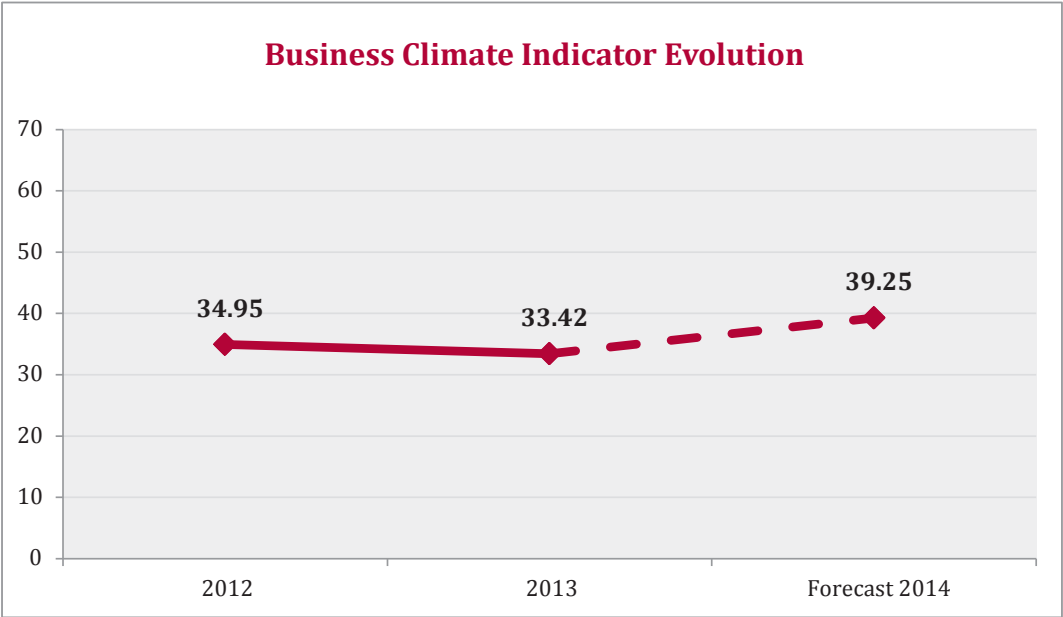
More than (61%) of respondents consider that the business climate in Albania during 2013 was unfavorable or very unfavorable. For 2014 the percentage of respondents that consider that the business climate in Albania will be unfavorable or very unfavorable is 49%.

Business Climate in Albania:

How was the business climate in Albania for the last year (2013)?

How do you expect the business climate in Albania to be in 2014?





This chart shows the indicator evolution. Higher results are better.

4.2 BUSINESS CLIMATE FACTORS

This section reports the opinion of the AmCham members regarding the factors that play an important role in the business climate and their business activities.

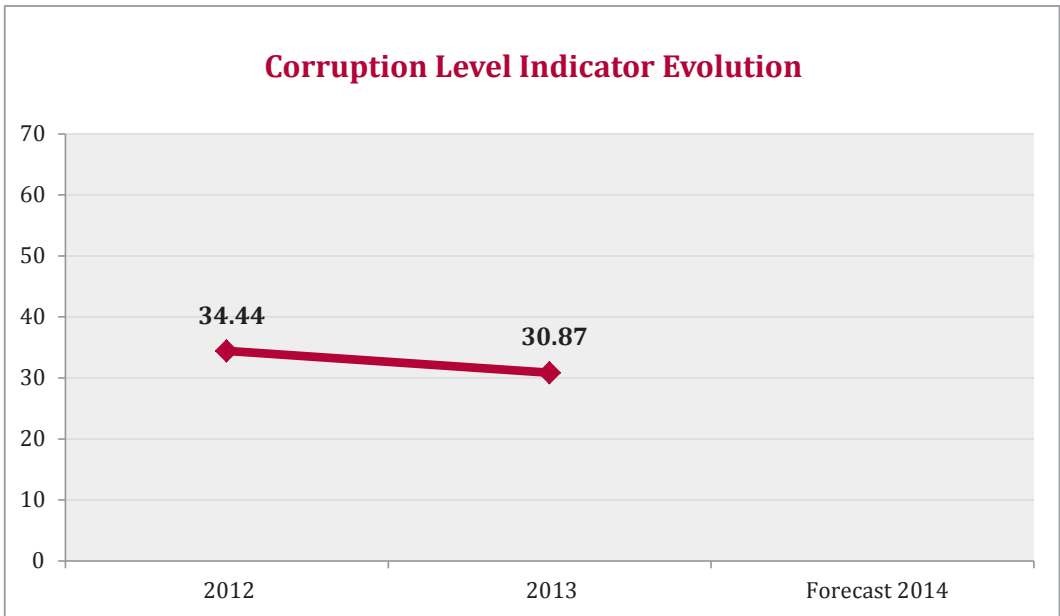
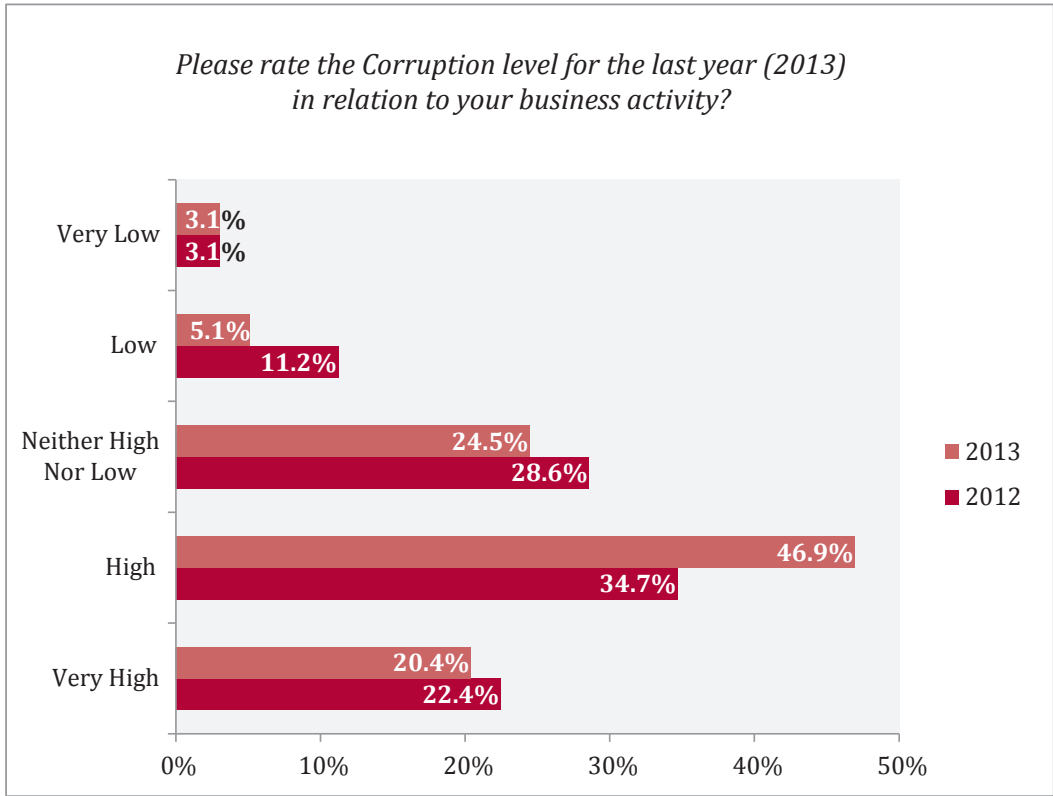
Results show that the majority of respondents think that informal economy (76%), government bureaucracy (76%), monopoly and unfair competition (62%) and corruption (67%) were at high or very high level during 2013.

While the Internal political climate had an improvement from 2012 still 63% of respondents think that it was bad or very bad during 2013.

Order and safety indicator decreased on 2013 were 38% of the respondents evaluated it as bad or very bad.

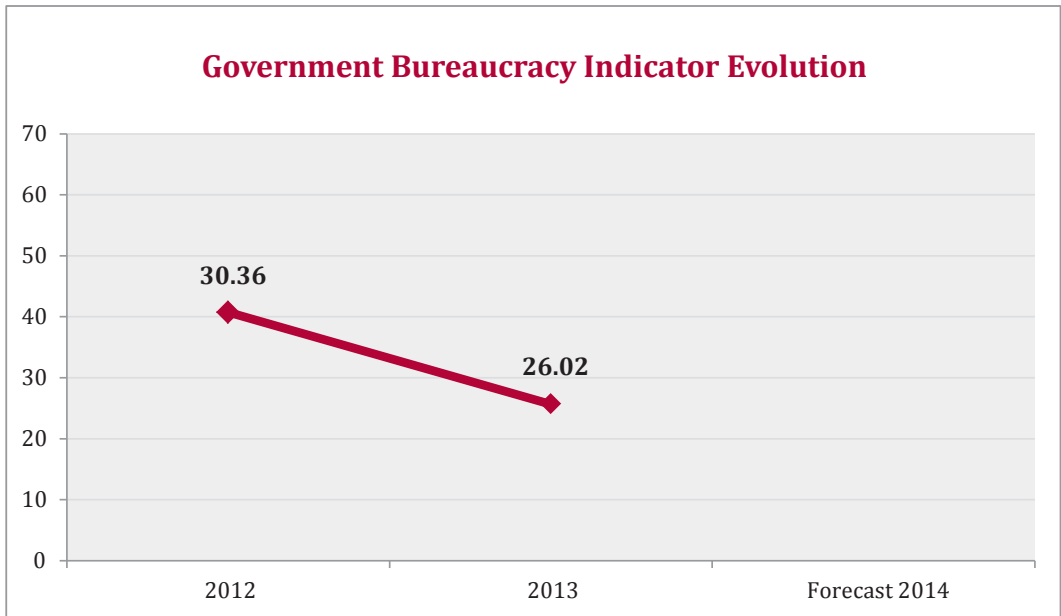
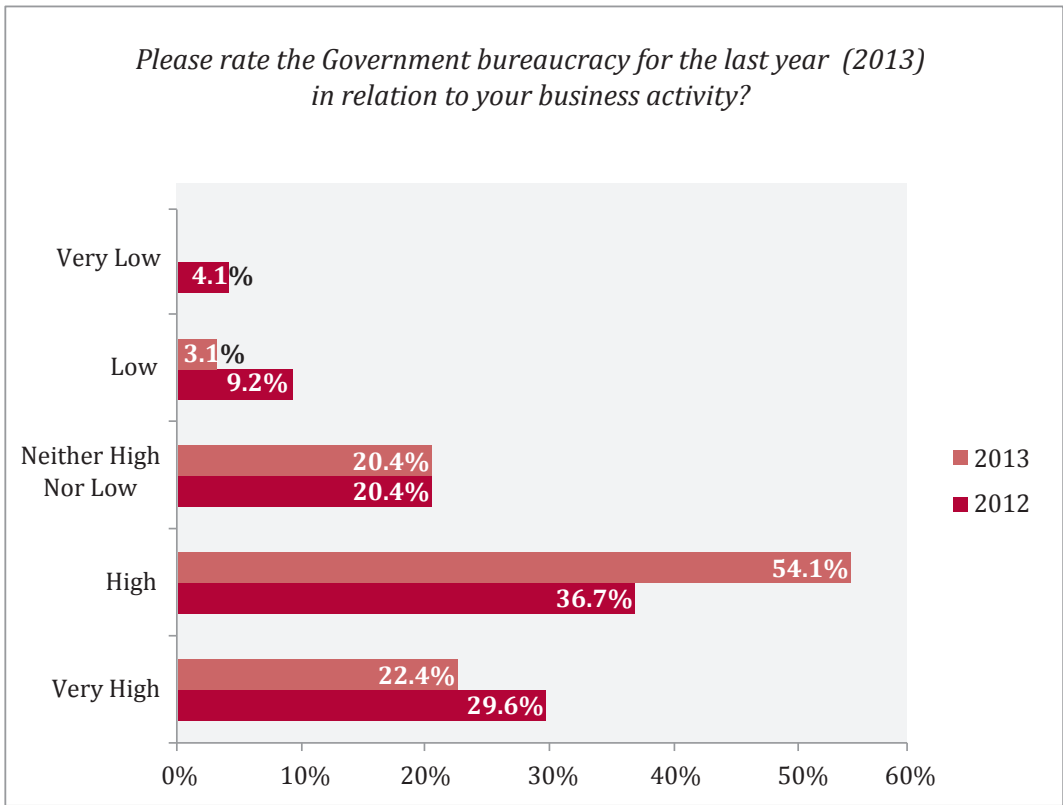
The majority of the respondents indicated that energy supply improved during 2013 and rated it at good or very good levels.

4.2.1 CORRUPTION LEVEL



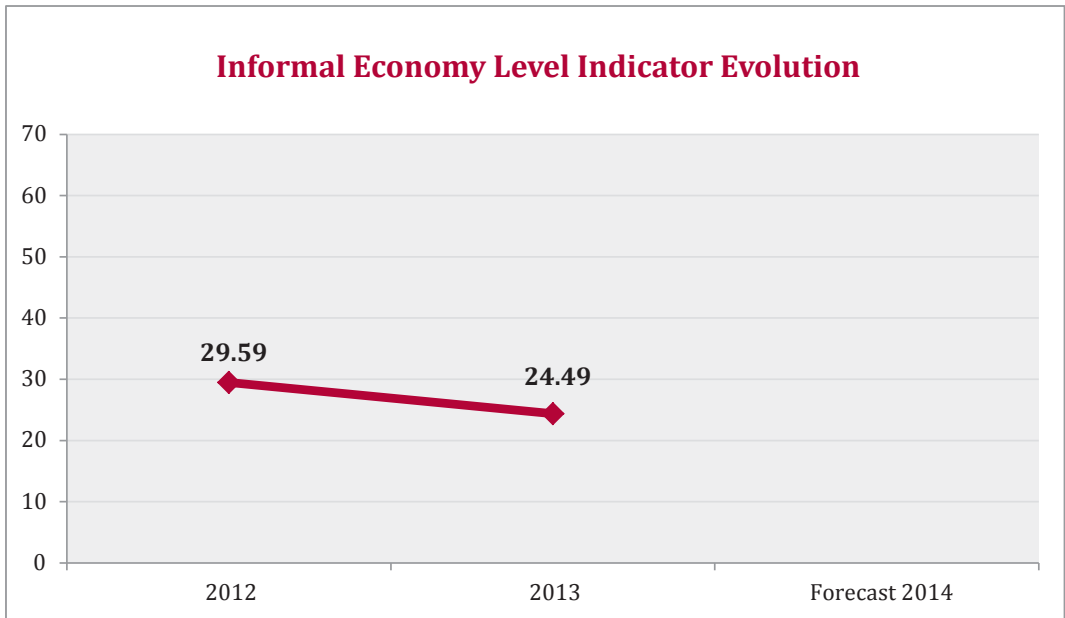
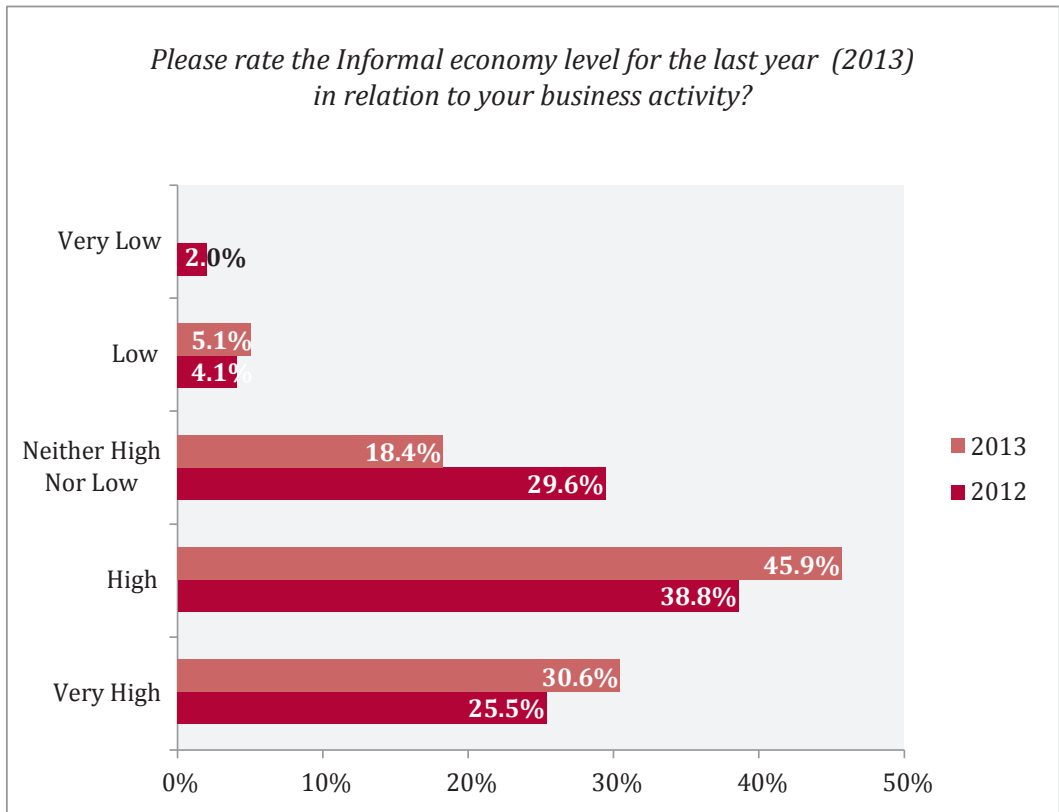
This chart shows the indicator evolution. Higher results are better.

4.2.2 GOVERNMENT BUREAUCRACY LEVEL



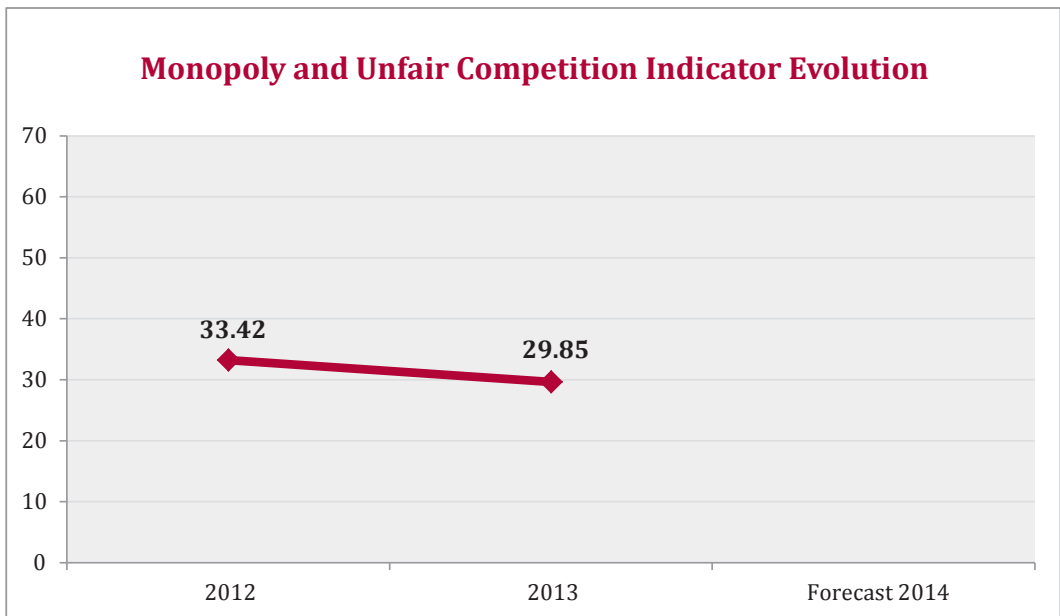
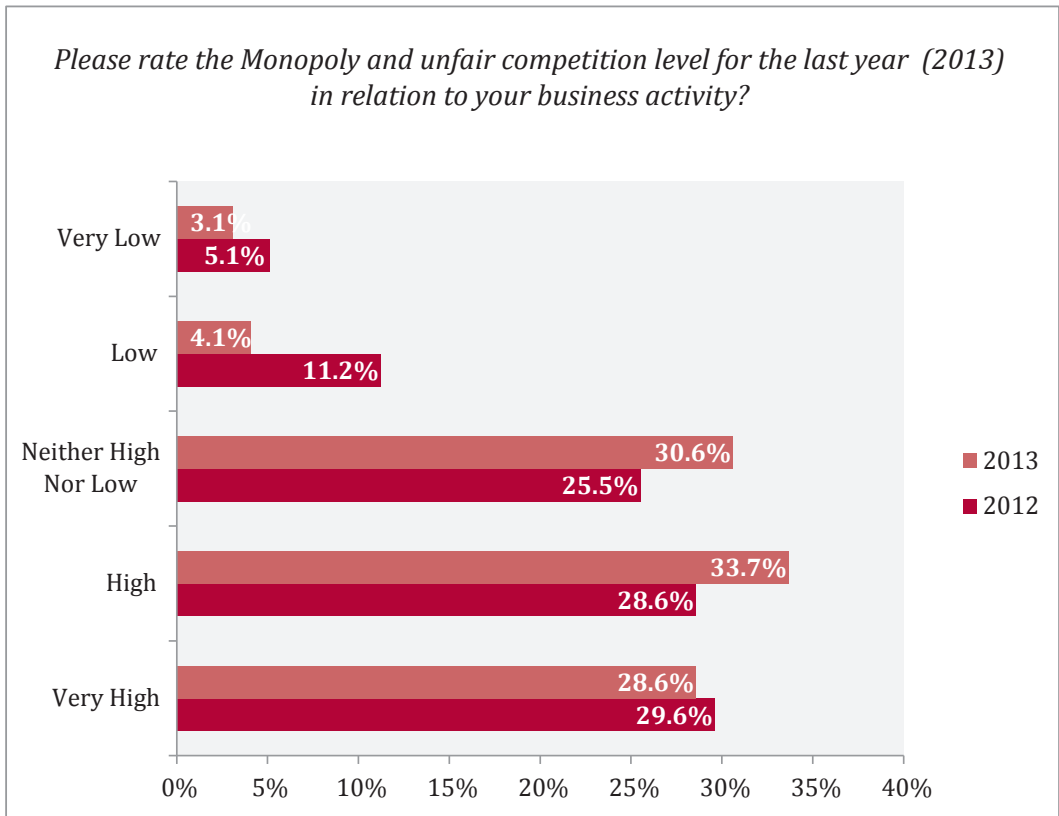
This chart shows the indicator evolution. Higher results are better.

4.2.3 INFORMAL ECONOMY LEVEL



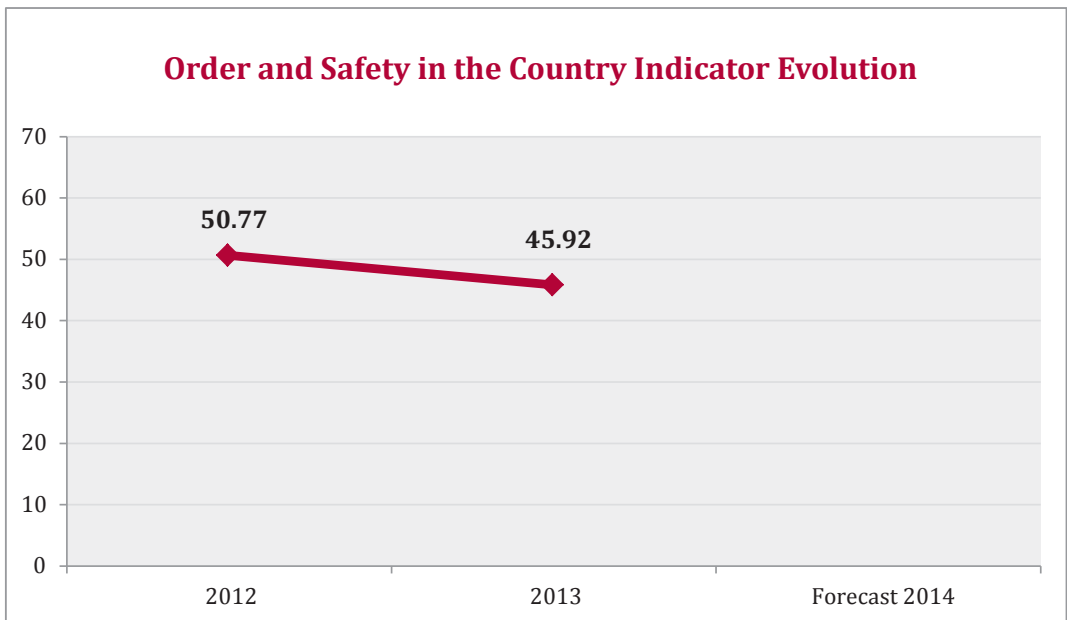
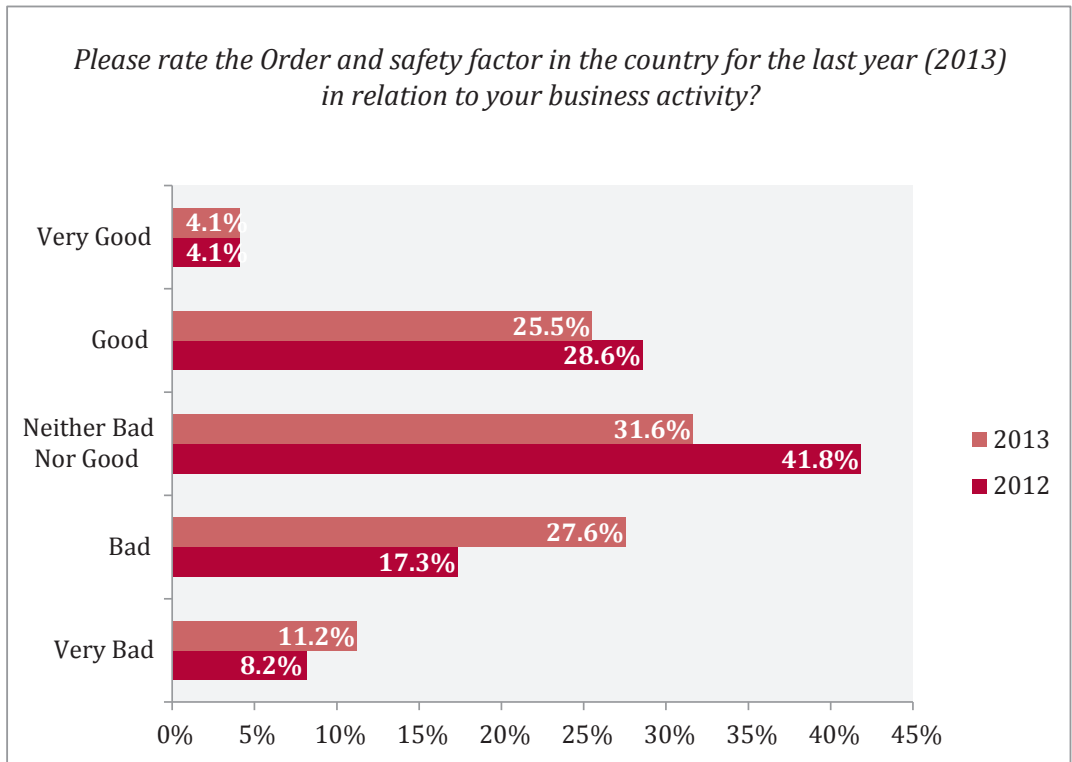
This chart shows the indicator evolution. Higher results are better.

4.2.4 MONOPOLY AND UNFAIR COMPETITION LEVEL



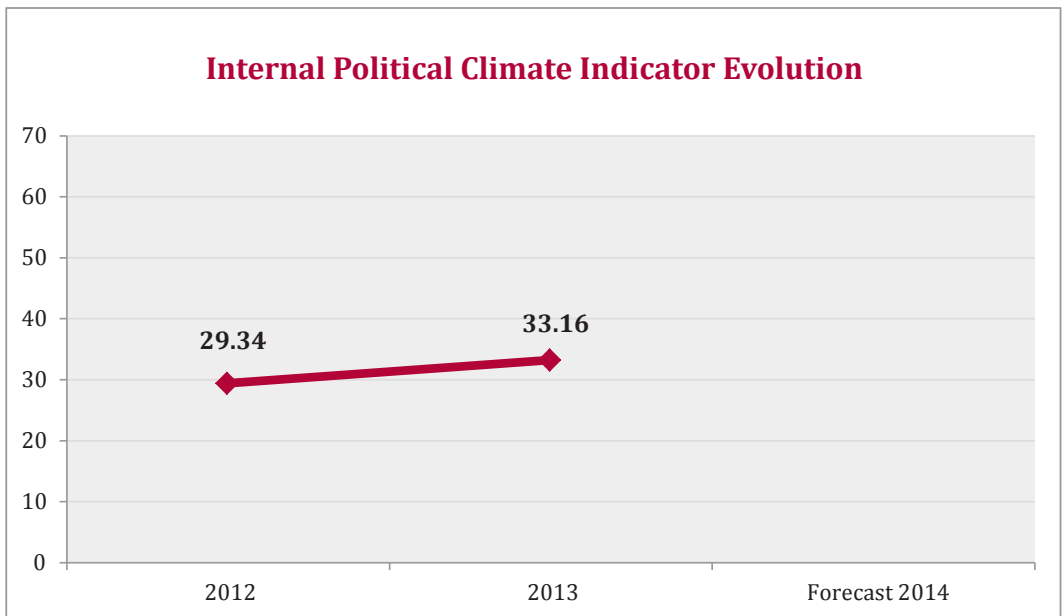
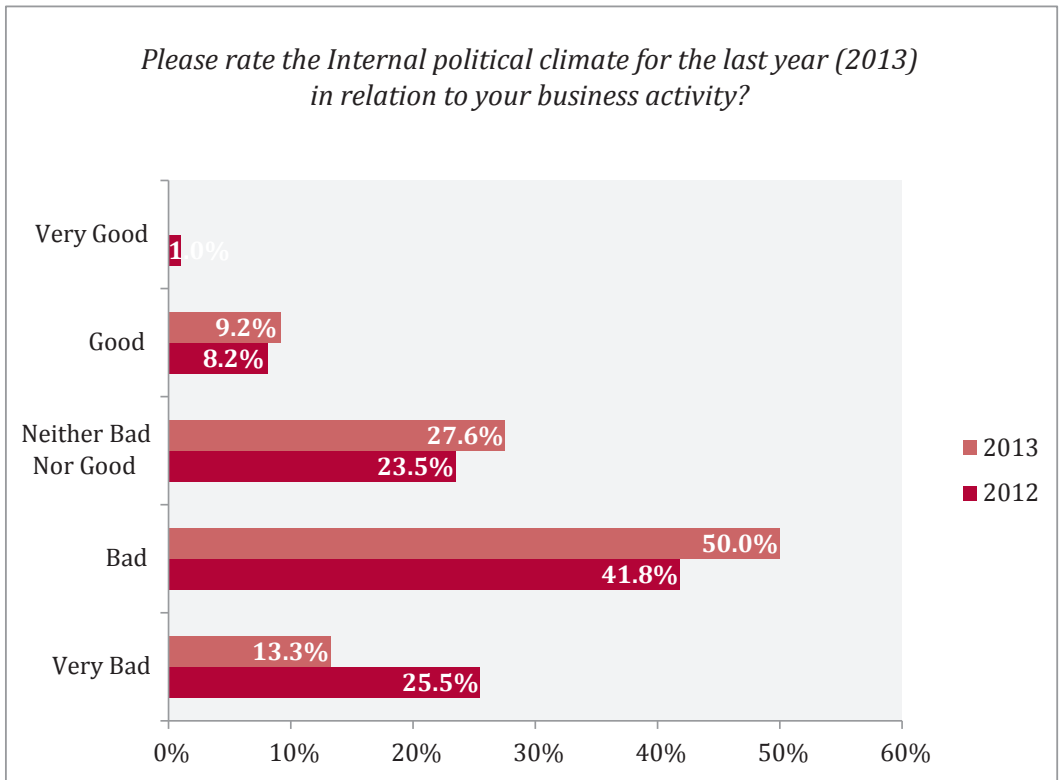
This chart shows the indicator evolution. Higher results are better.

4.2.5 ORDER AND SAFETY IN THE COUNTRY



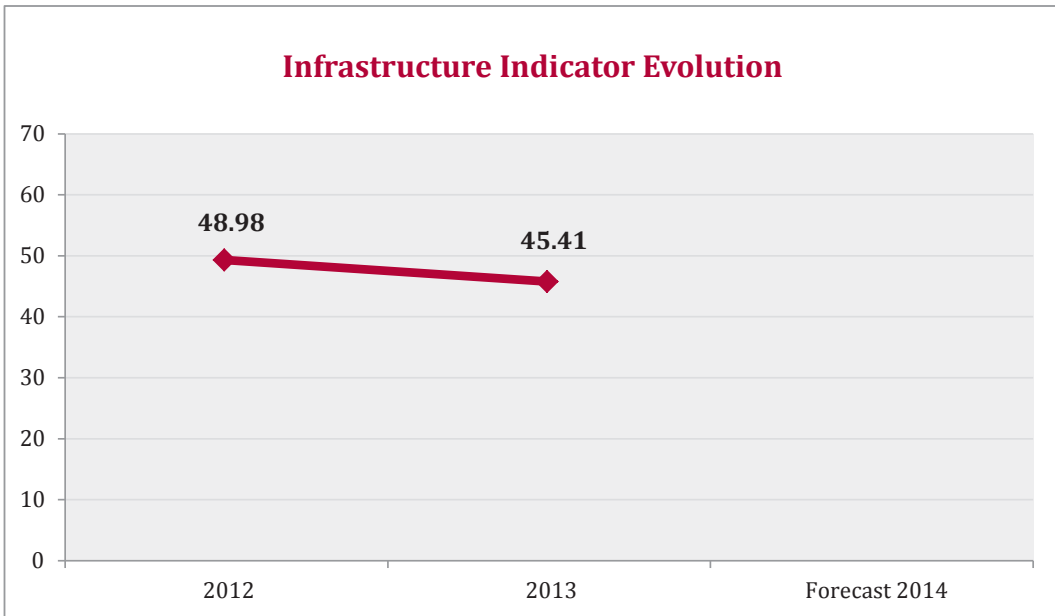
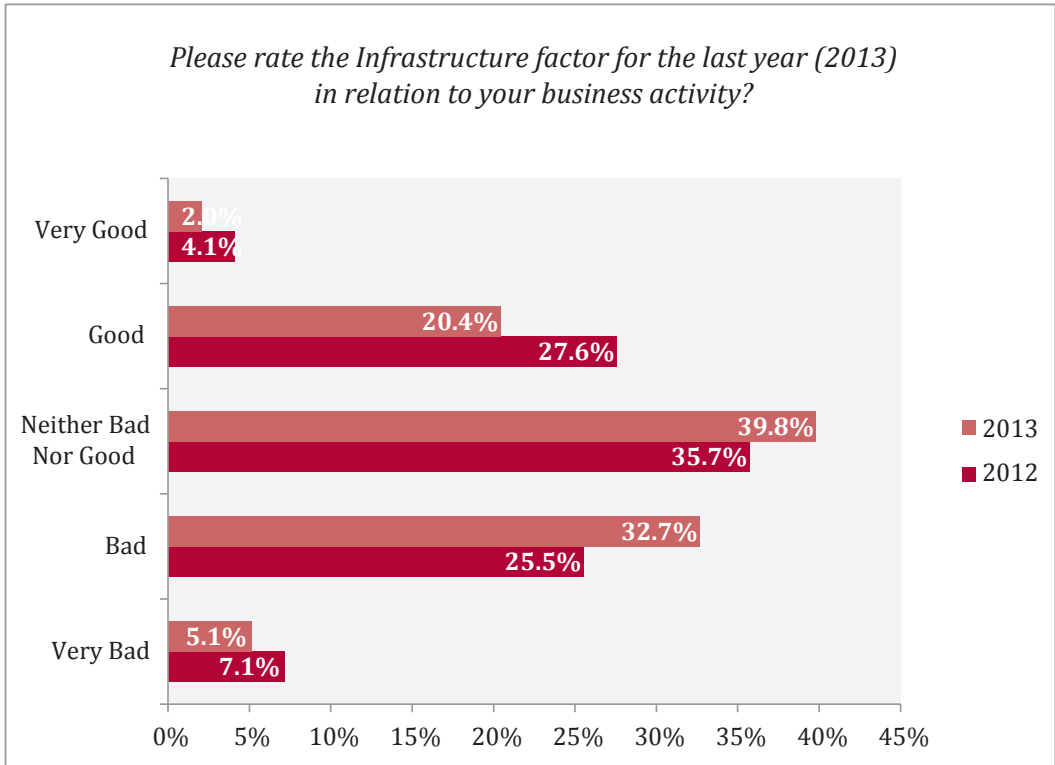
This chart shows the indicator evolution. Higher results are better.

4.2.6 INTERNAL POLITICAL CLIMATE



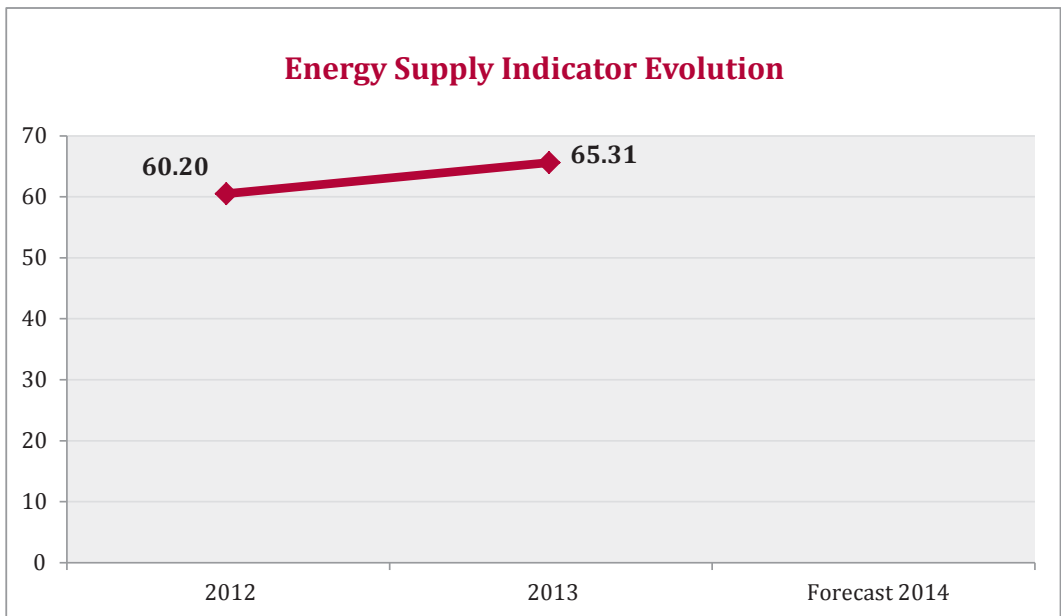
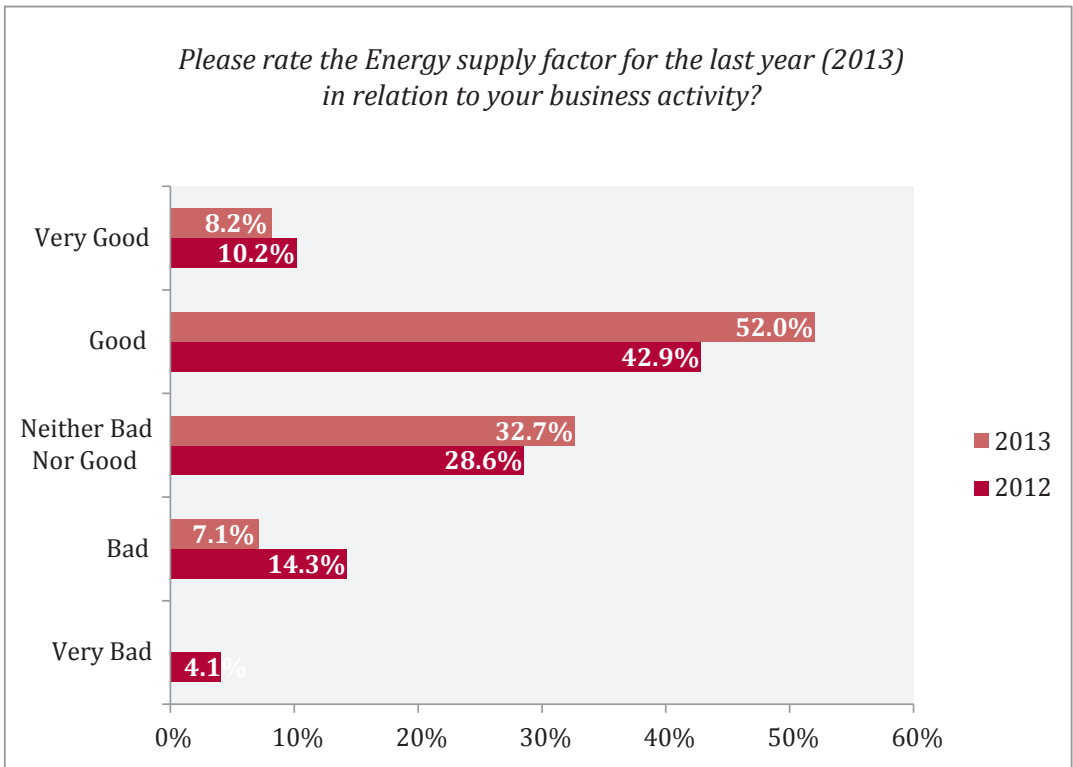
This chart shows the indicator evolution. Higher results are better.

4.2.7 INFRASTRUCTURE



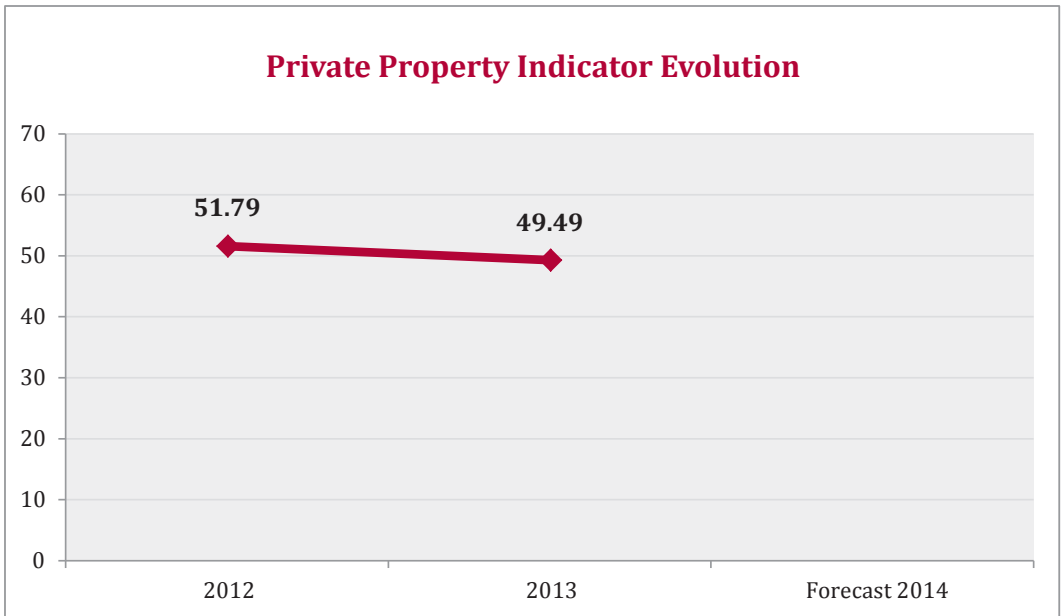
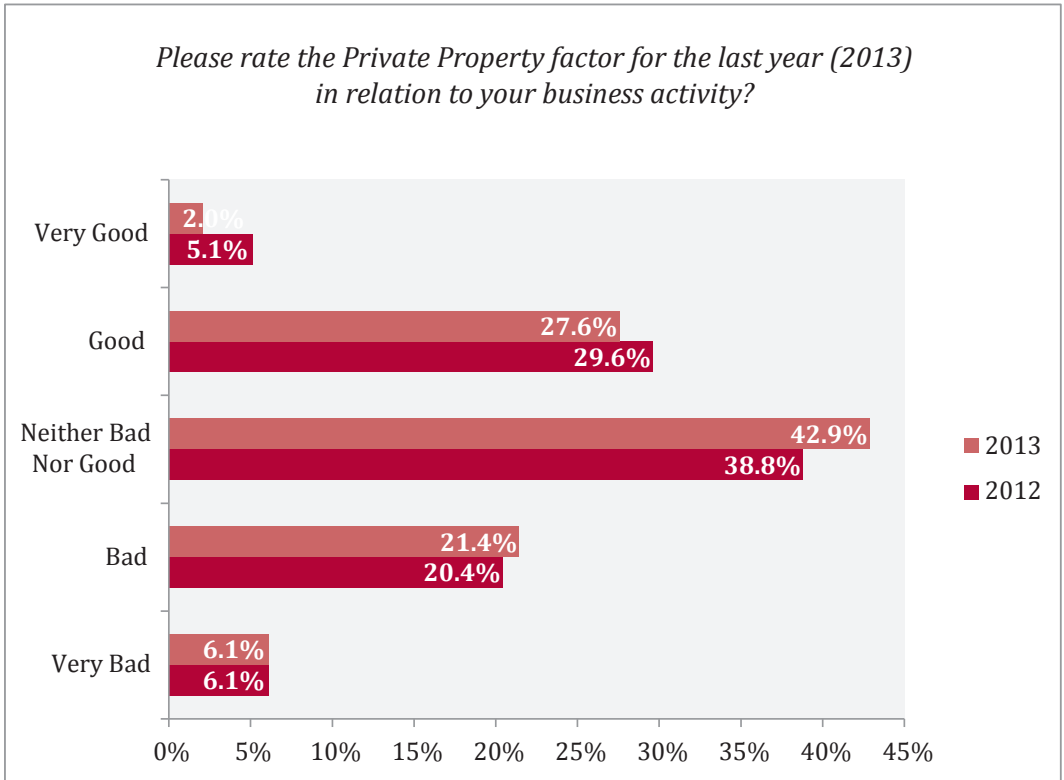
This chart shows the indicator evolution. Higher results are better.

4.2.8 ENERGY SUPPLY



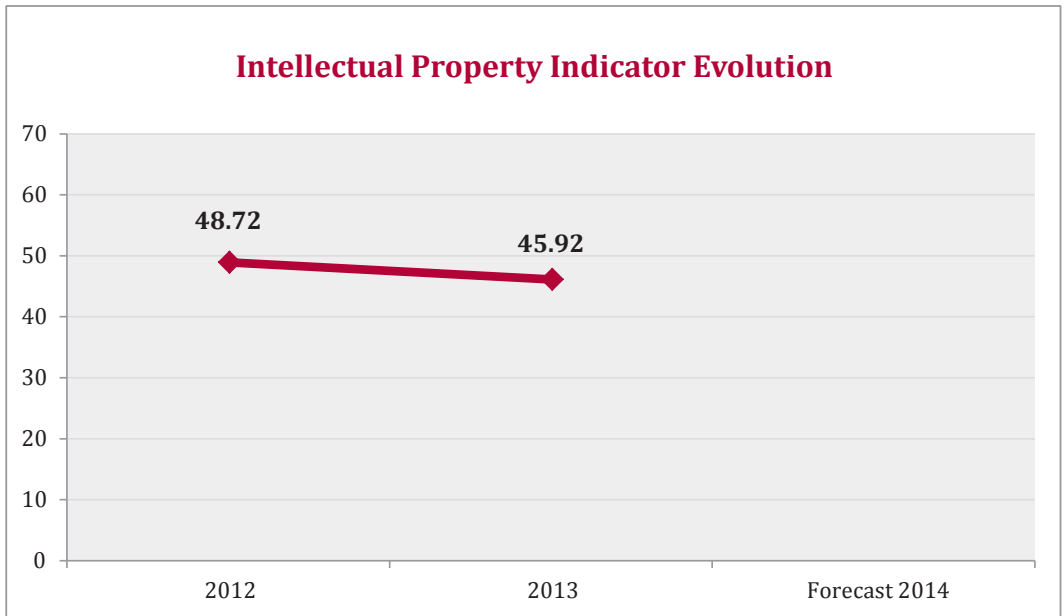
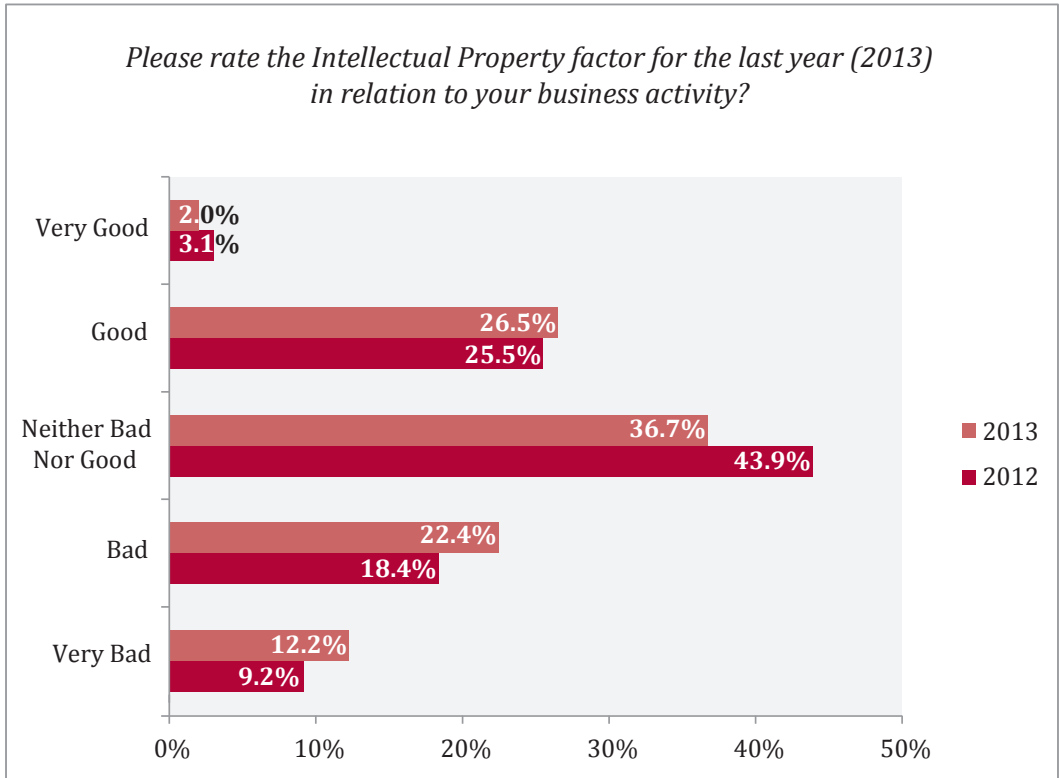
This chart shows the indicator evolution. Higher results are better.

4.2.9 PRIVATE PROPERTY



This chart shows the indicator evolution. Higher results are better.

4.2.10 INTELLECTUAL PROPERTY



This chart shows the indicator evolution. Higher results are better.

4.3 GOVERNMENT POLICY

This section reports the opinion of the respondents regarding the impact of government policy and the relation of AmCham members with central and local government institutions.

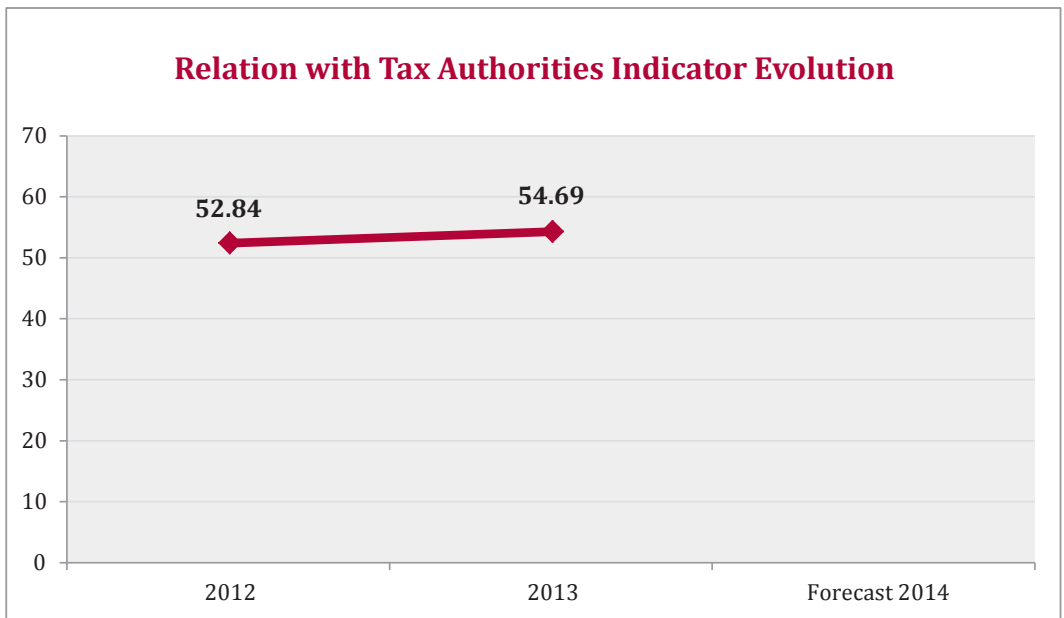
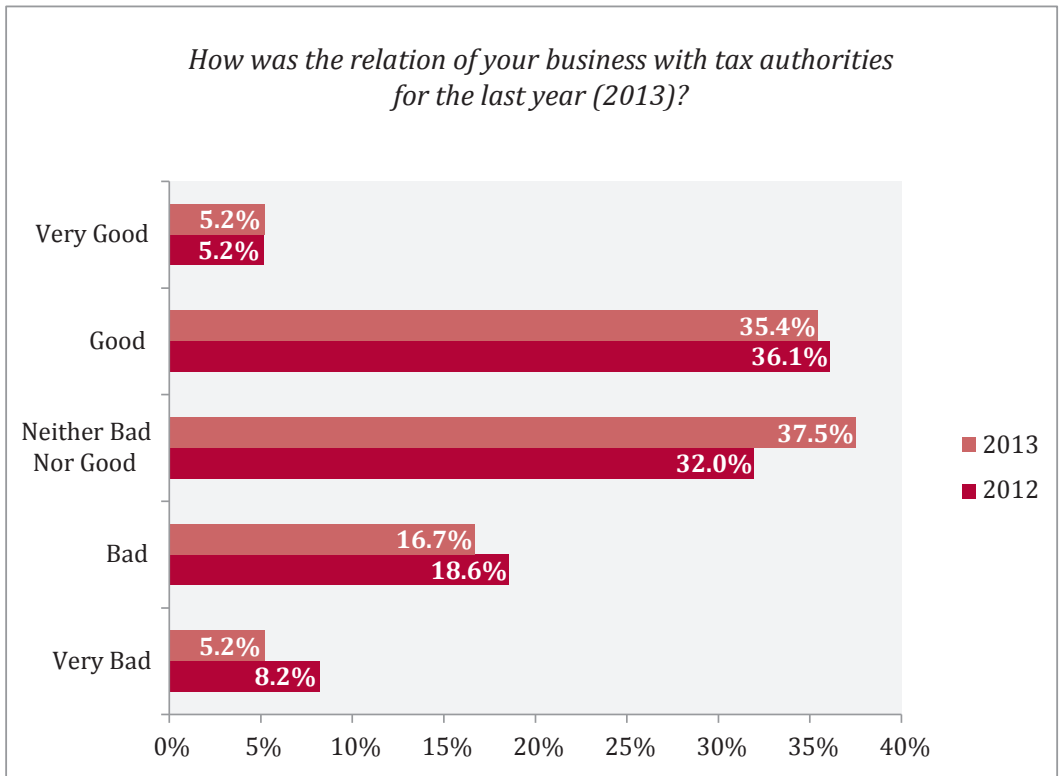
For 48% of AmCham members the economic reforms and government policy during 2013 were Unfavorable or Very Unfavorable and for 10% of them they were favorable.

For 2014, 45% of the respondents expect that the economic reforms will be Unfavorable or Very Unfavorable, while 26% expect that they will be Favorable or very favorable.

Approximately 33% of respondents consider the overall tax level applied during 2013 as Favorable or Very Favorable and 35% of them considers it as neutral, while approximately 32% of them consider the level of taxes as Unfavorable or Very Unfavorable.

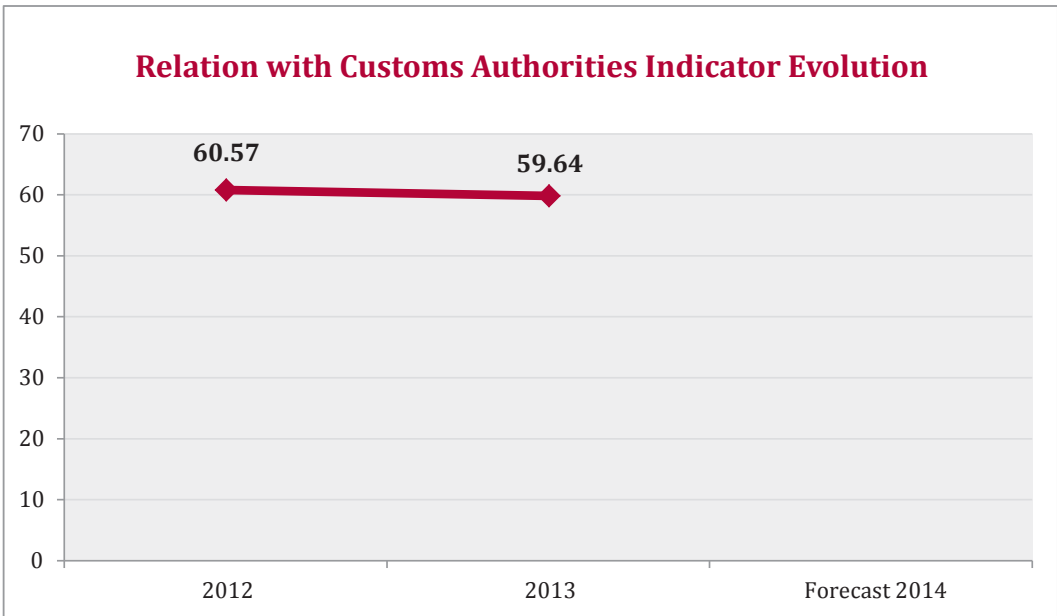
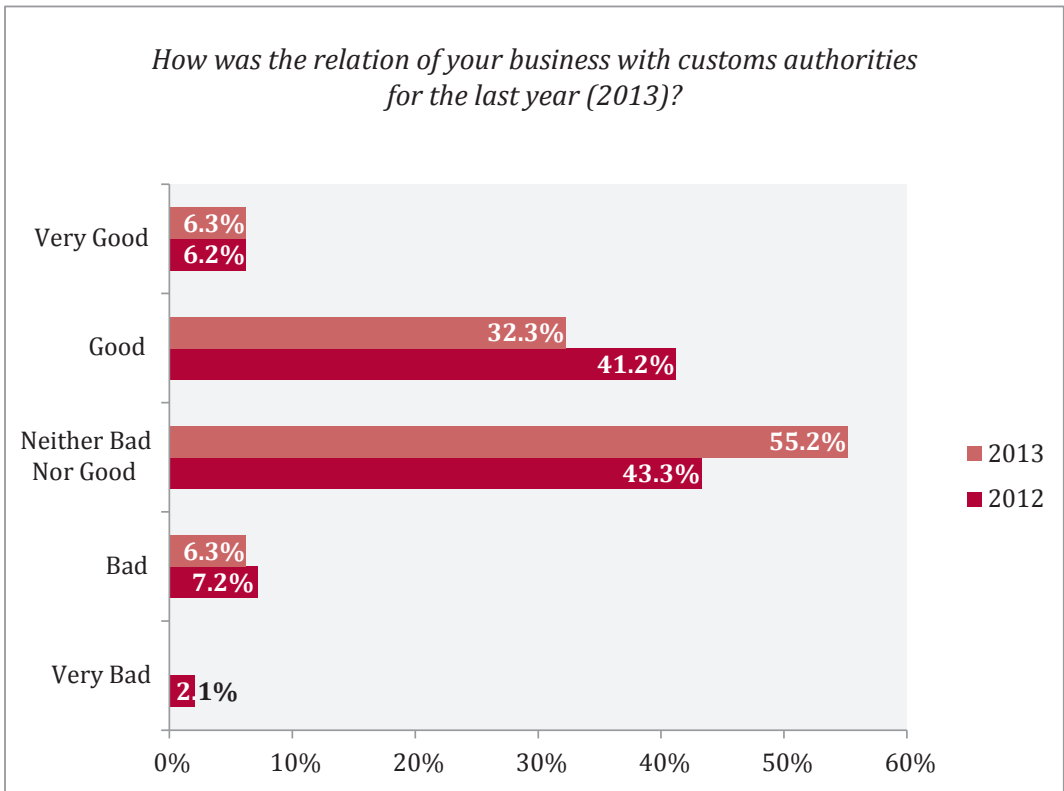
For 2013, 40% of the respondents consider that the application of laws and regulations was Unfavorable or Very Unfavorable, while only 15% of them consider it Favorable or Very Favorable.

4.3.1 RELATION WITH TAX AUTHORITIES



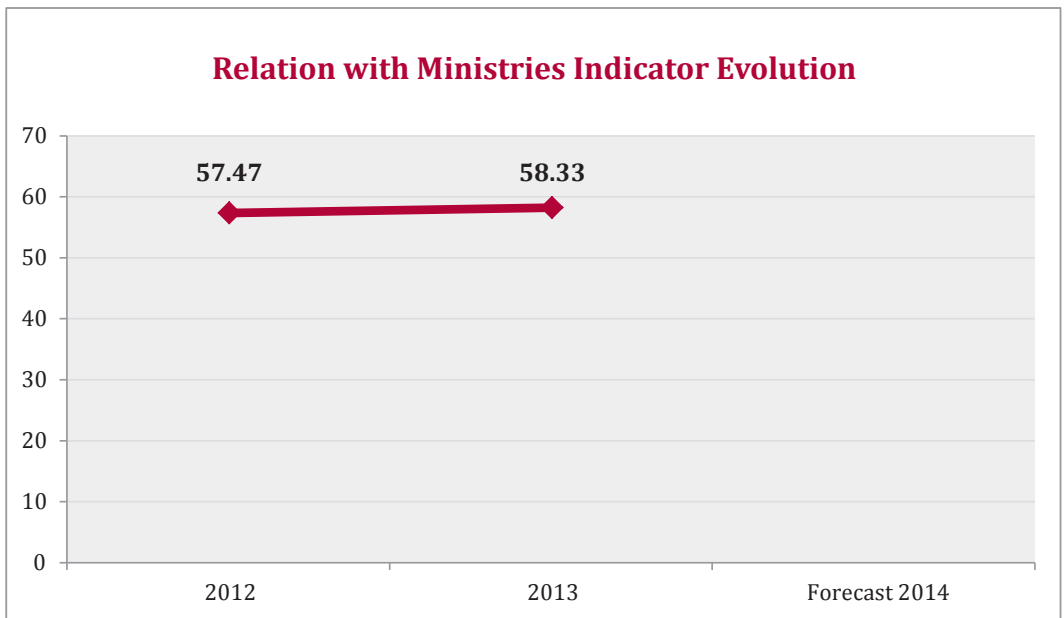
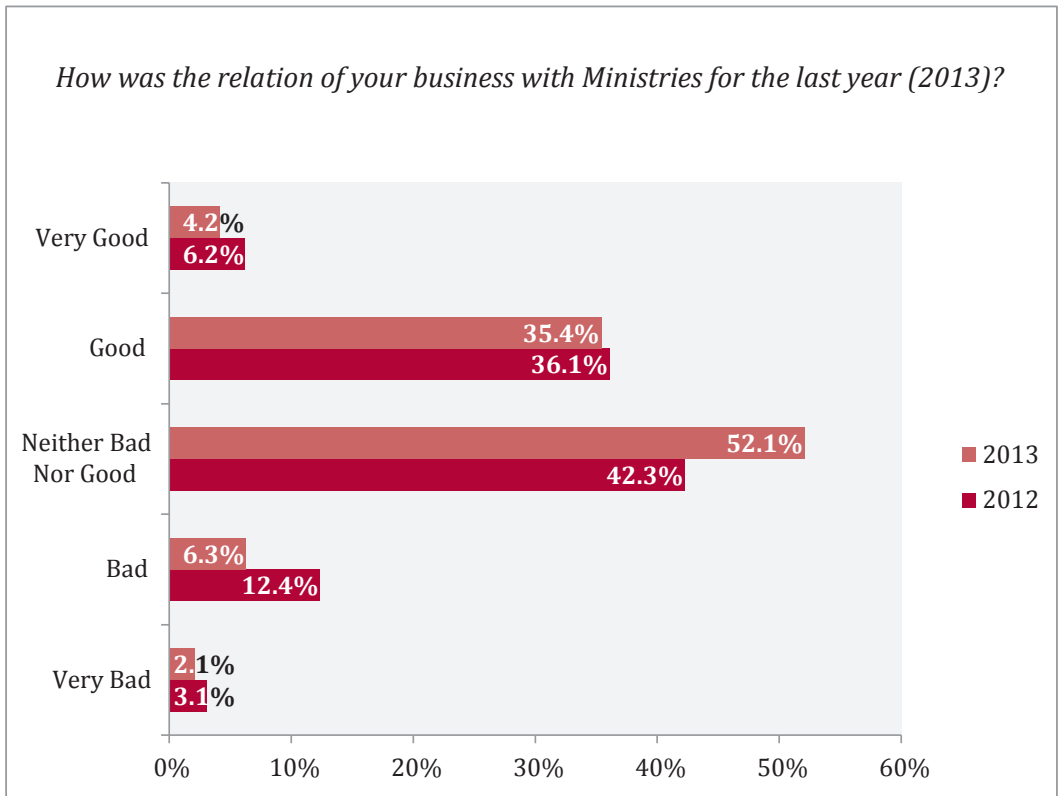
This chart shows the indicator evolution. Higher results are better.

4.3.2 RELATION WITH CUSTOMS AUTHORITIES



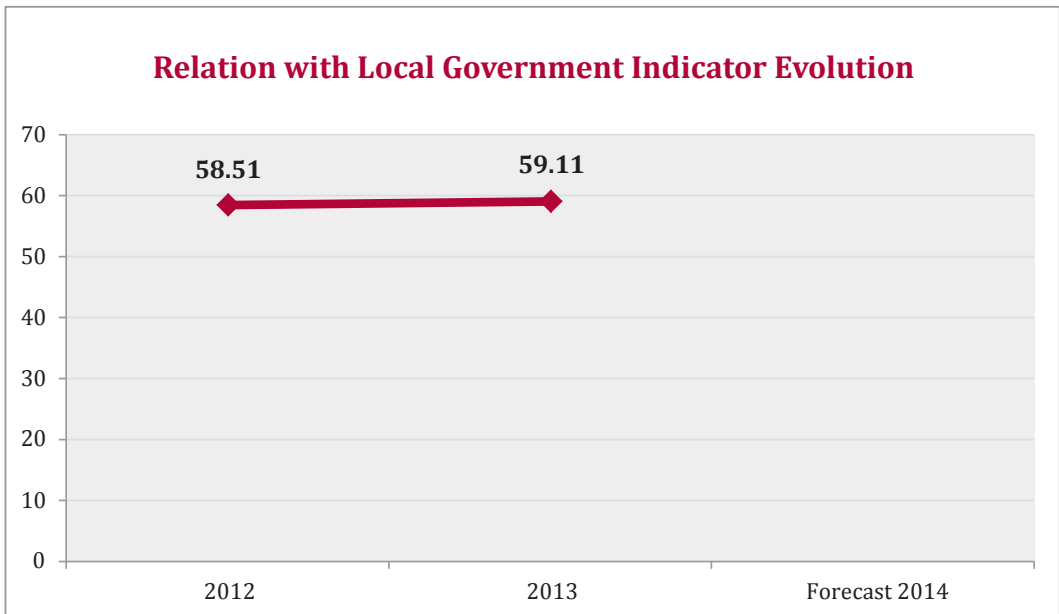
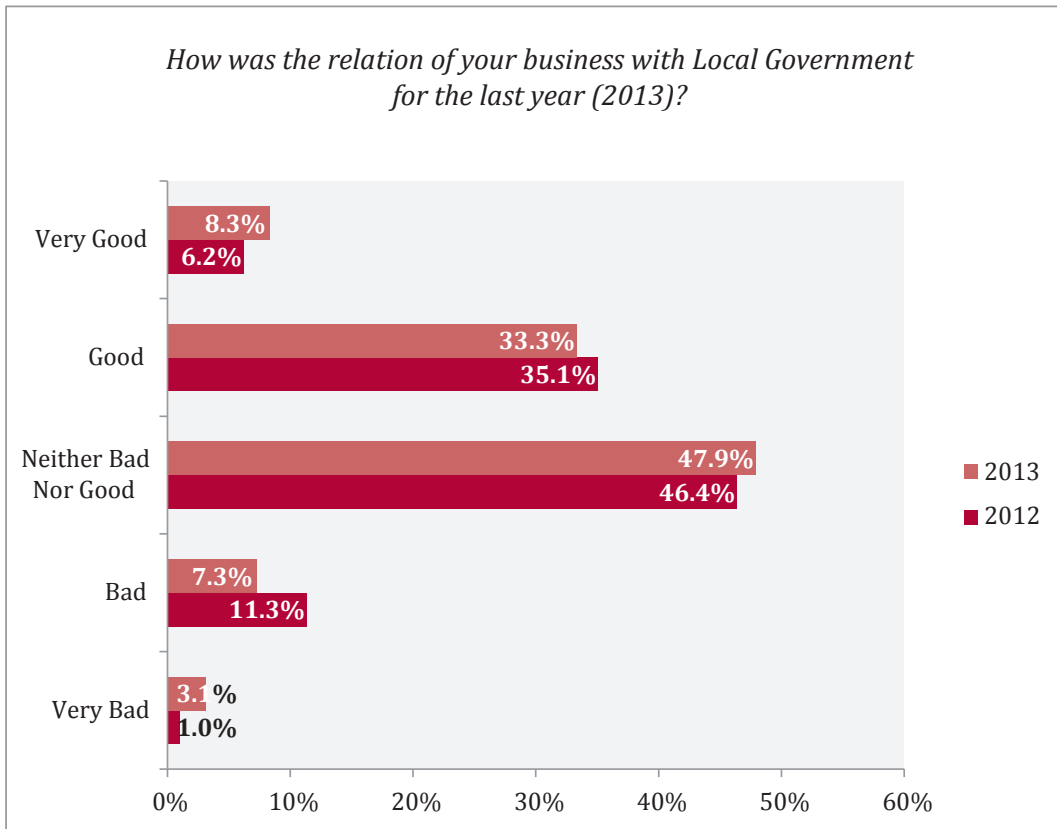
This chart shows the indicator evolution. Higher results are better.

4.3.3 RELATION WITH MINISTRIES



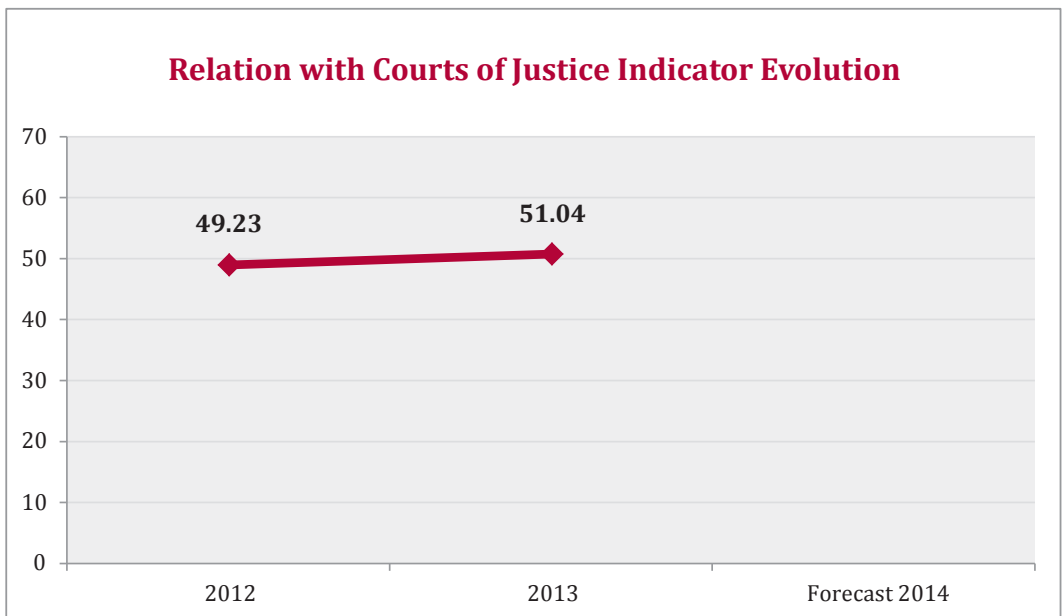
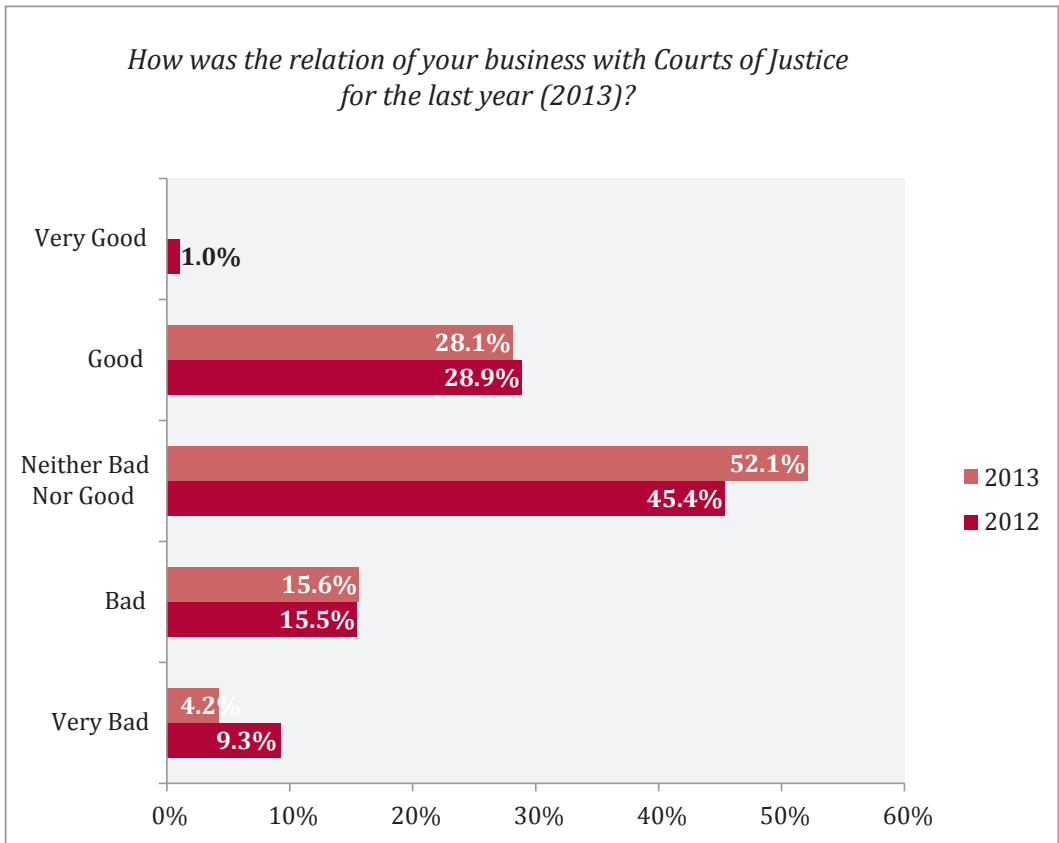
This chart shows the indicator evolution. Higher results are better.

4.3.4 RELATION WITH LOCAL GOVERNMENT



This chart shows the indicator evolution. Higher results are better.

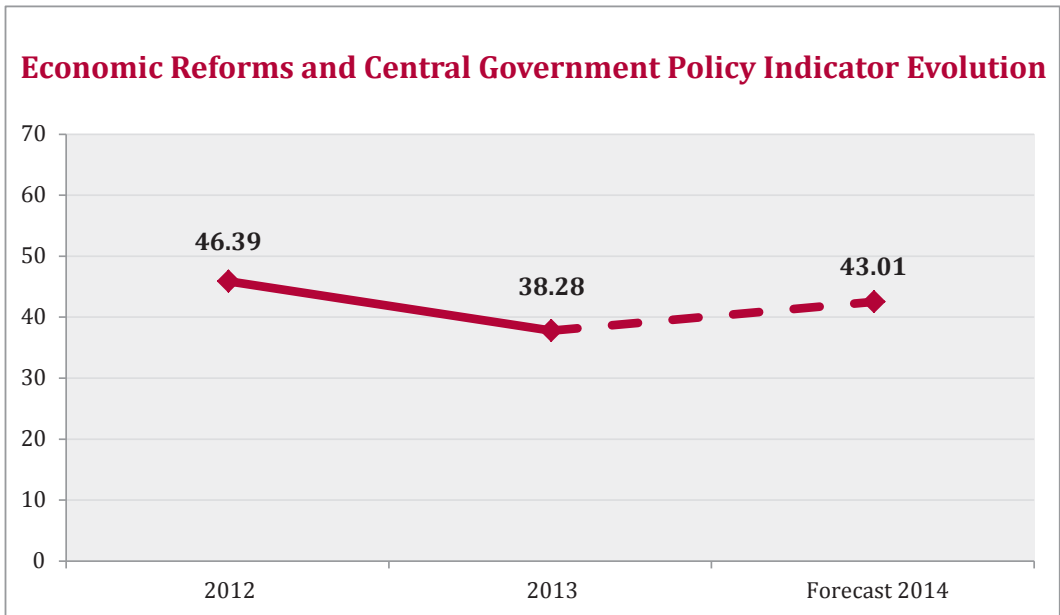
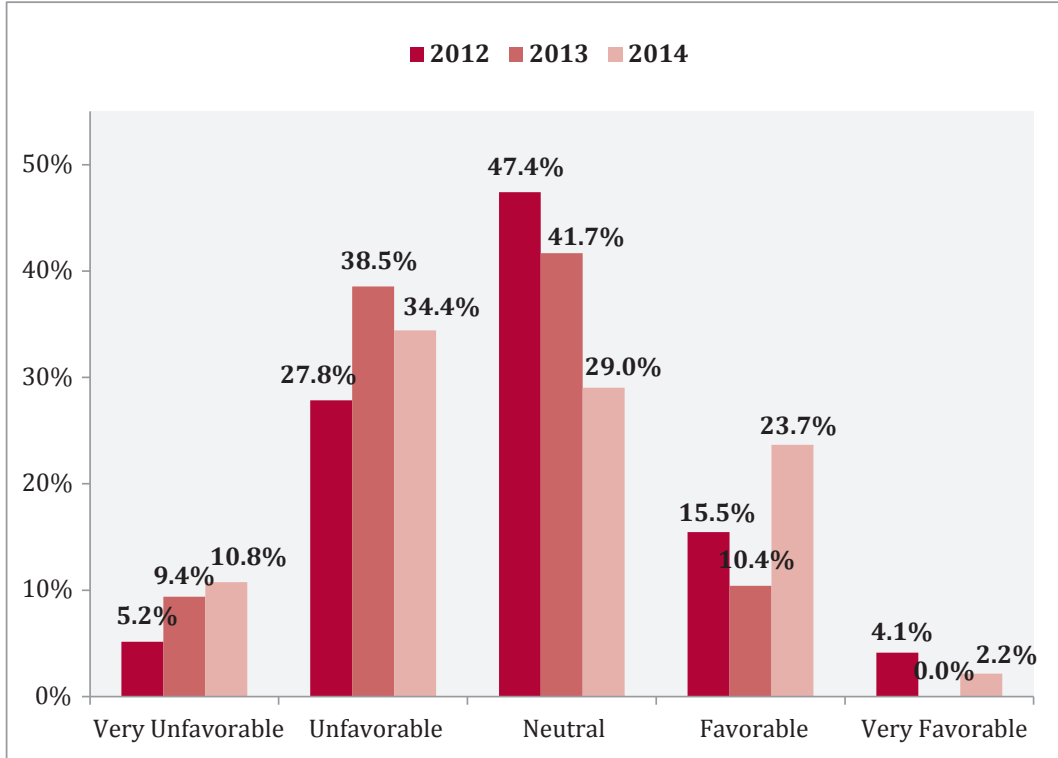
4.3.5 RELATION WITH COURTS OF JUSTICE



This chart shows the indicator evolution. Higher results are better.

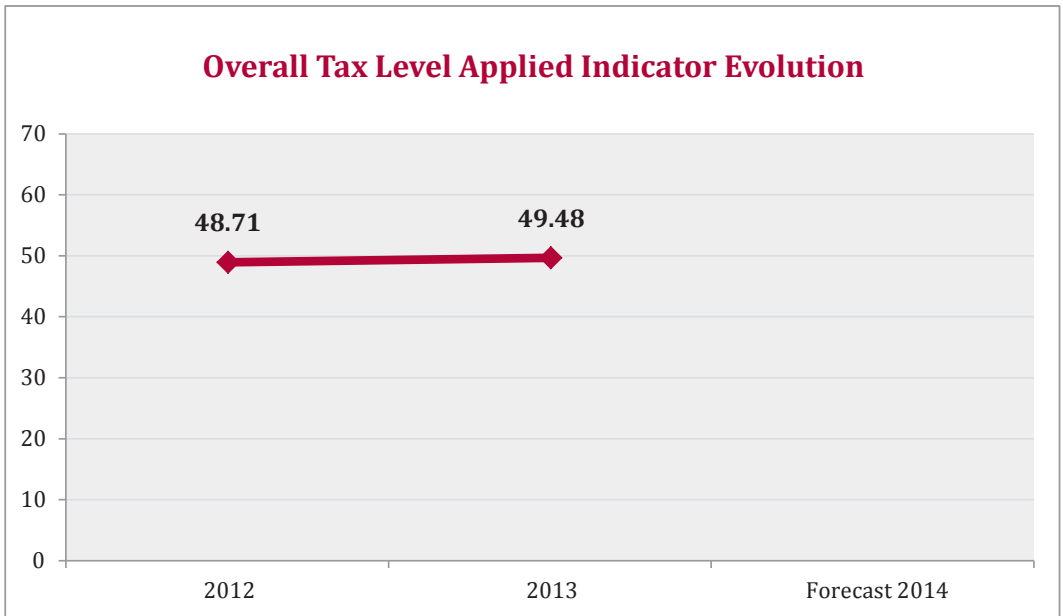
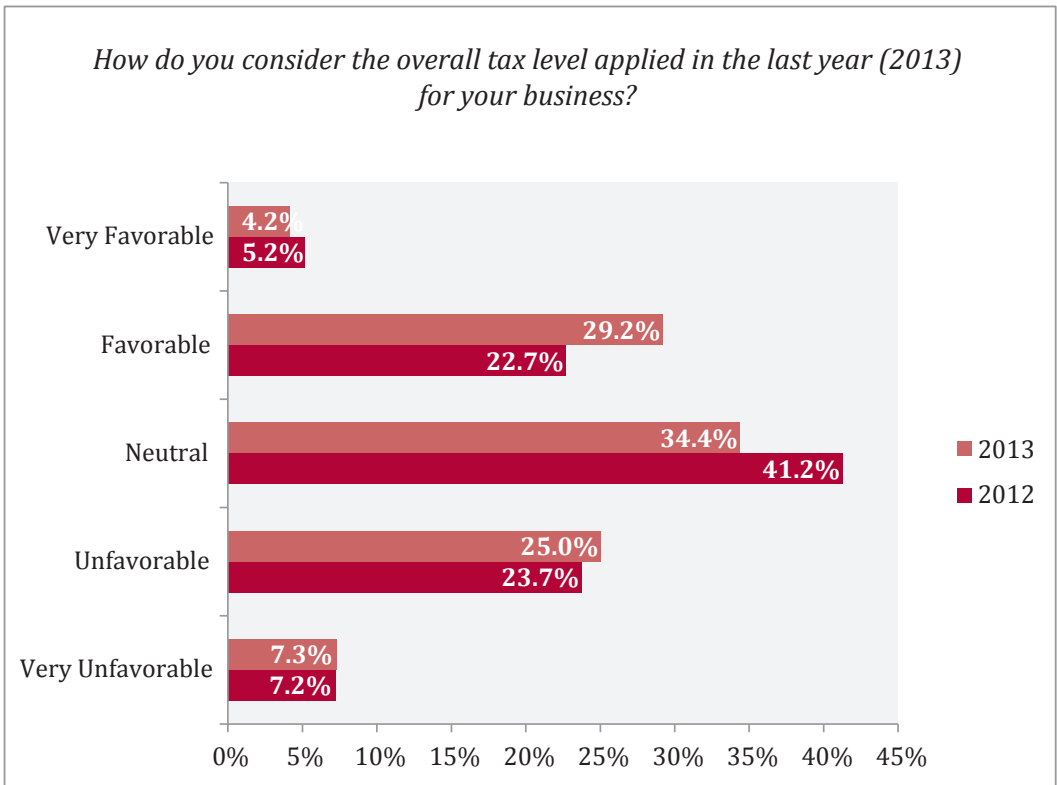
4.3.6 ECONOMIC REFORMS AND CENTRAL GOVERNMENT POLICIES

How do you consider the economic reforms and central government policy in the last year (2013) for your business?
How do you expect the economic reforms and government policy to be in 2014 for your business?



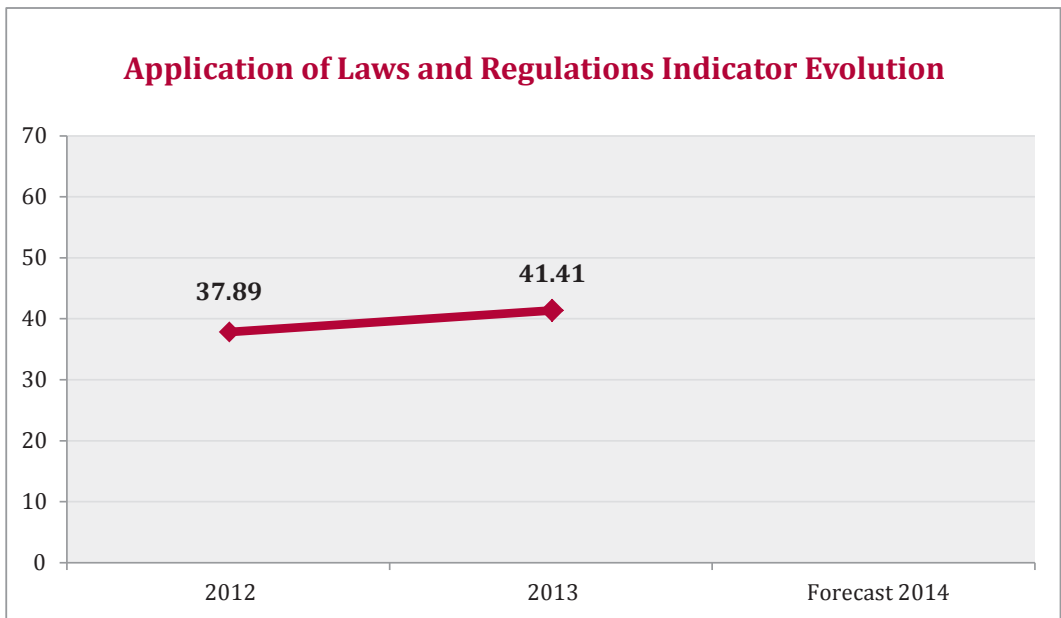
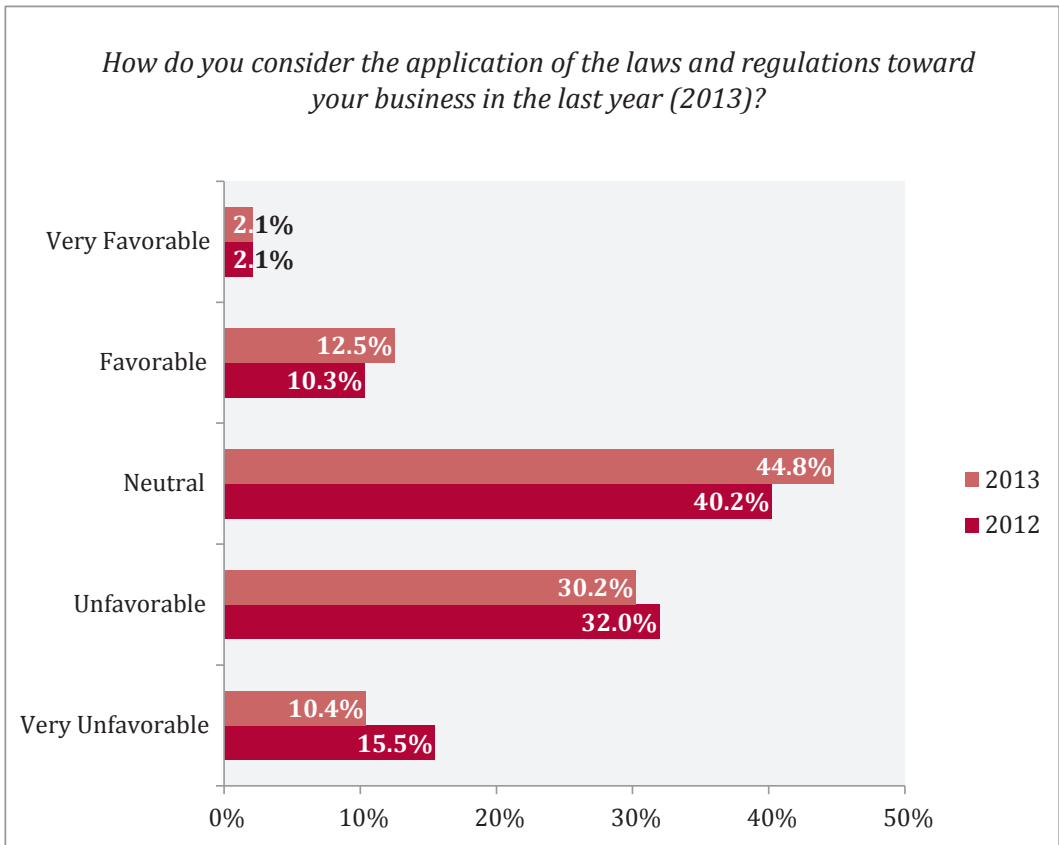
This chart shows the indicator evolution. Higher results are better.

4.3.7 OVERALL TAX LEVELS APPLICATION



This chart shows the indicator evolution. Higher results are better.

4.3.8 APPLICATION OF LAWS AND REGULATIONS



This chart shows the indicator evolution. Higher results are better.

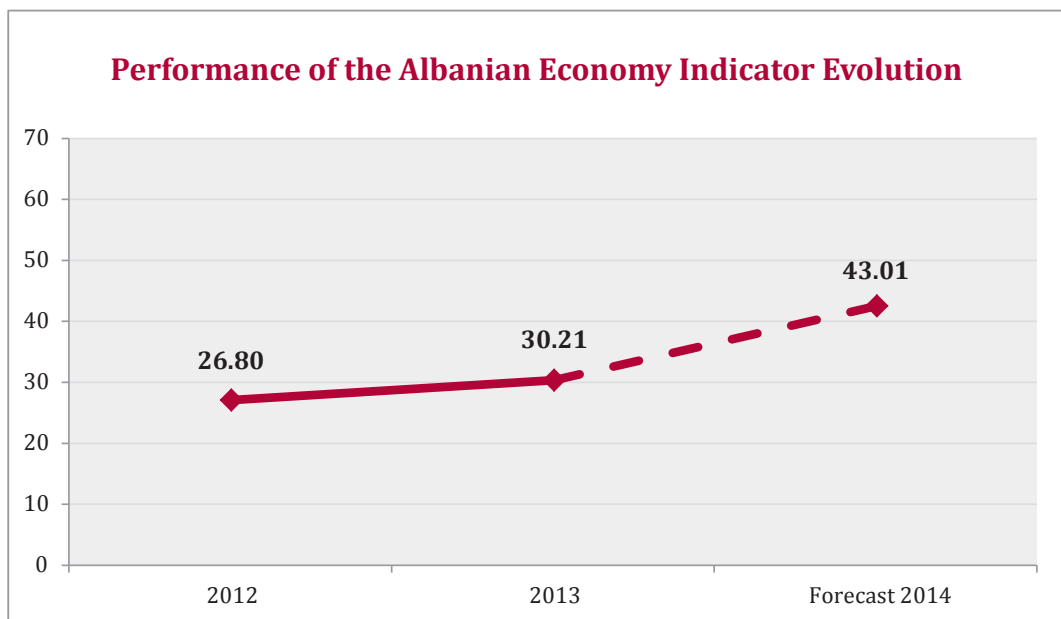
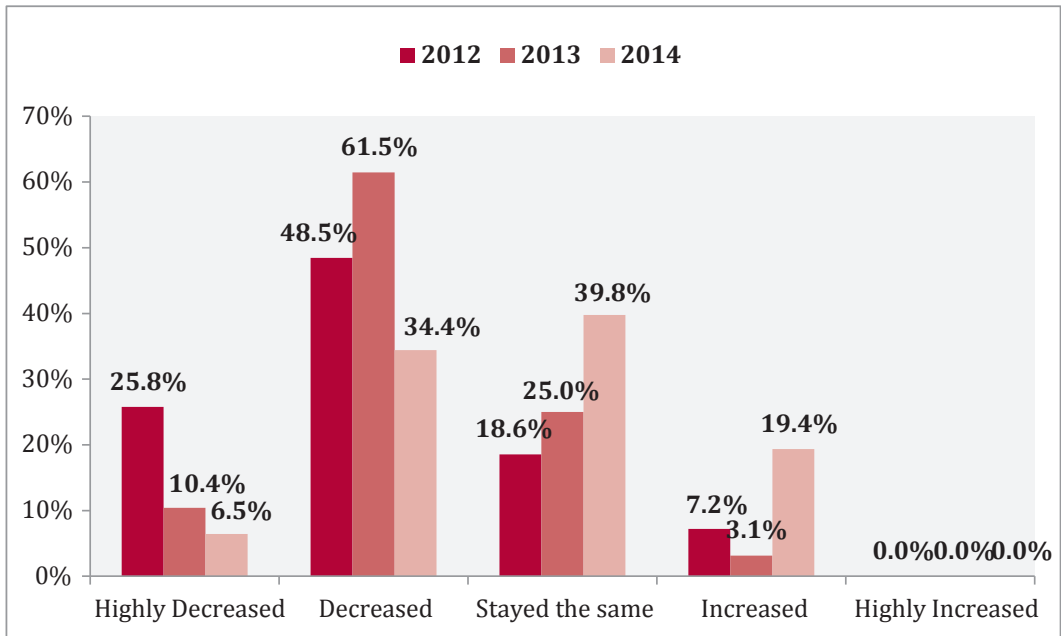
4.4 PERFORMANCE OF THE ECONOMY

For 72% of the AmCham members the performance of the Albanian economy has decreased or highly decreased during 2013 but only 41% of them think that the performance of the Albanian economy will continue to decline during 2014 and 19% of them think that the performance of the economy will increase.

Performance of the Economy:

How do you consider the performance of the Albanian economy during last year (2013)?

How do you expect the performance of the Albanian economy to be in 2014?



This chart shows the indicator evolution. Higher results are better.

4.5 BUSINESS ACTIVITY

This section presents the performance of AmCham member's business activities during 2013 and their expectations for 2014

The demand for goods and services in 2013 has decreased or highly decreased for 38.5% of the respondents, has stayed the same 36.5% of them while for 25% it increased and the expectation for 2014 is positive.

The demand for goods and services for exporting companies has slightly decelerated in 2013 and is expected to have a positive trend during 2014.

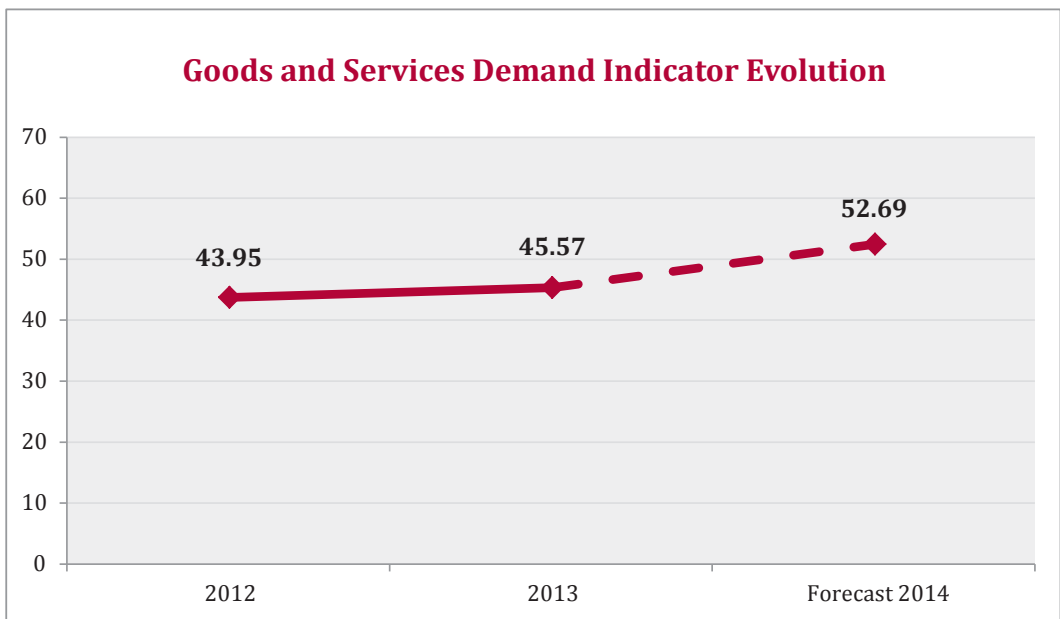
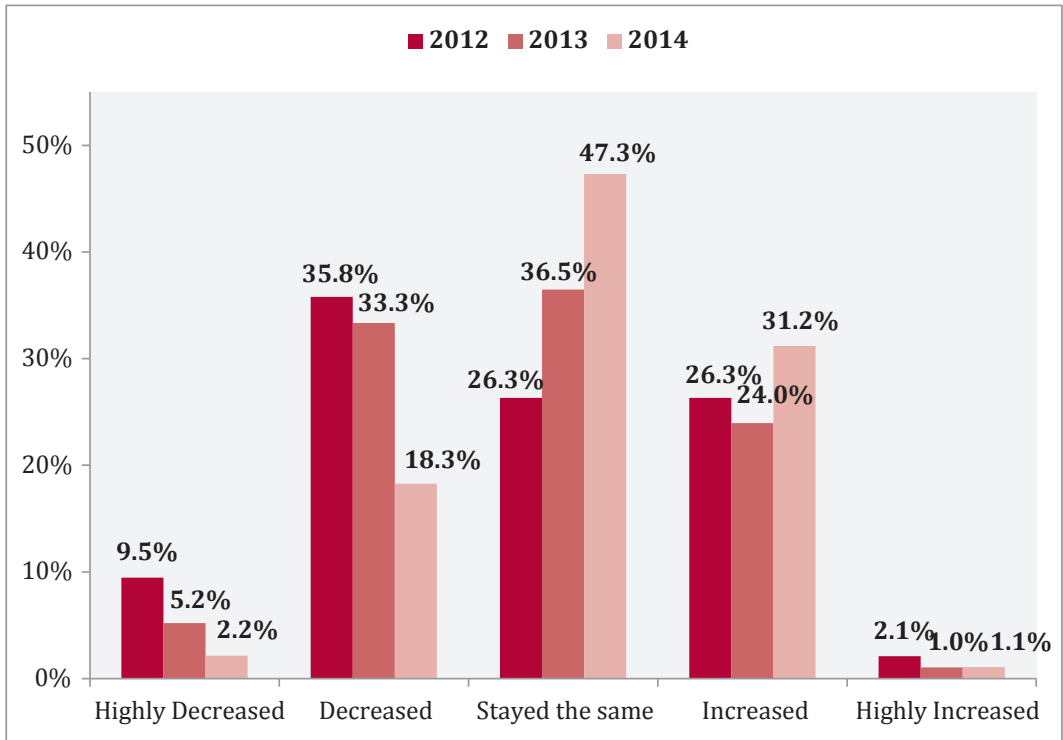
The total employment remained the same for 48% of the companies during 2013, while around 30% of them increased their staff. During 2014 the majority of them (66%) will keep the same staff and 25% of the companies will increase it.

In 2013, around 30% of the companies increased their investments and 51% kept the same level. In 2014, 27% of the companies will increase their investments while the majority of them (60%) will keep the same level of investments as in 2013.

4.5.1 GOODS AND SERVICES DEMAND

How has the demand for your firm's goods and services developed during last year (2013)?

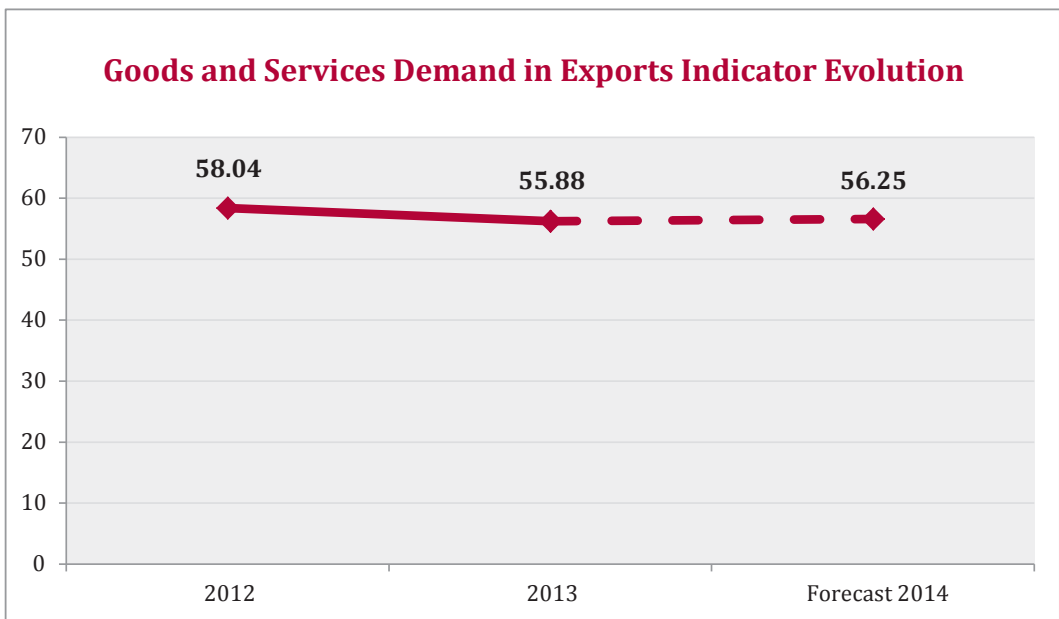
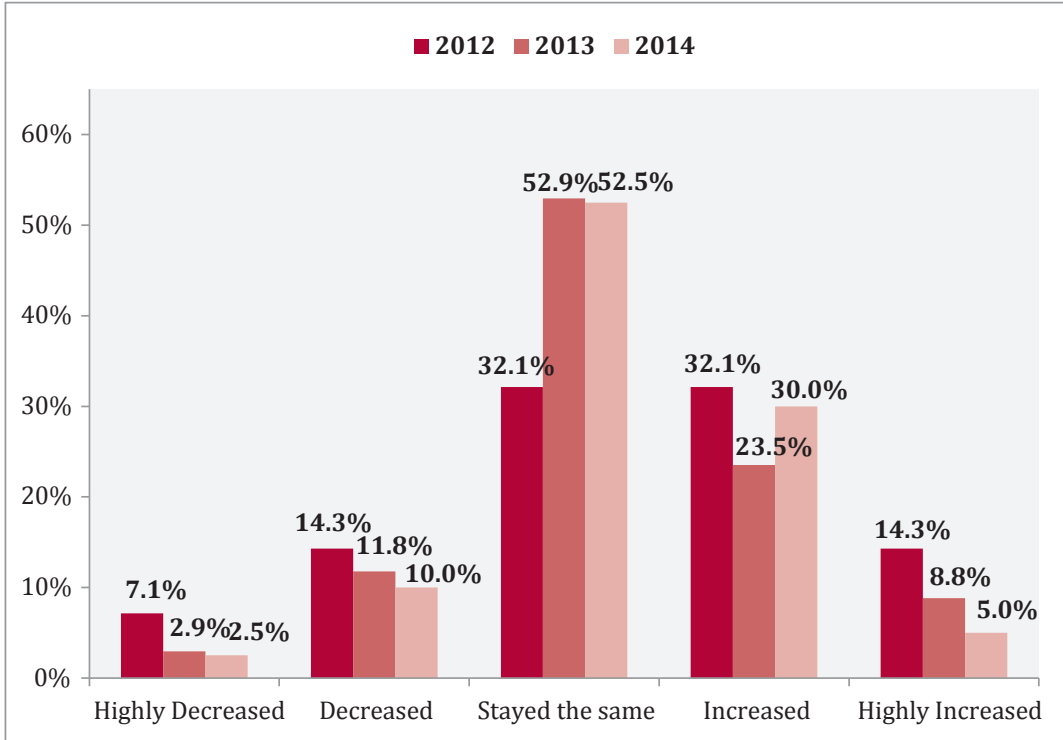
How do you expect the demand for your firm's goods and services to change in 2014?



This chart shows the indicator evolution. Higher results are better.

4.5.2 GOODS AND SERVICES DEMAND – EXPORTS

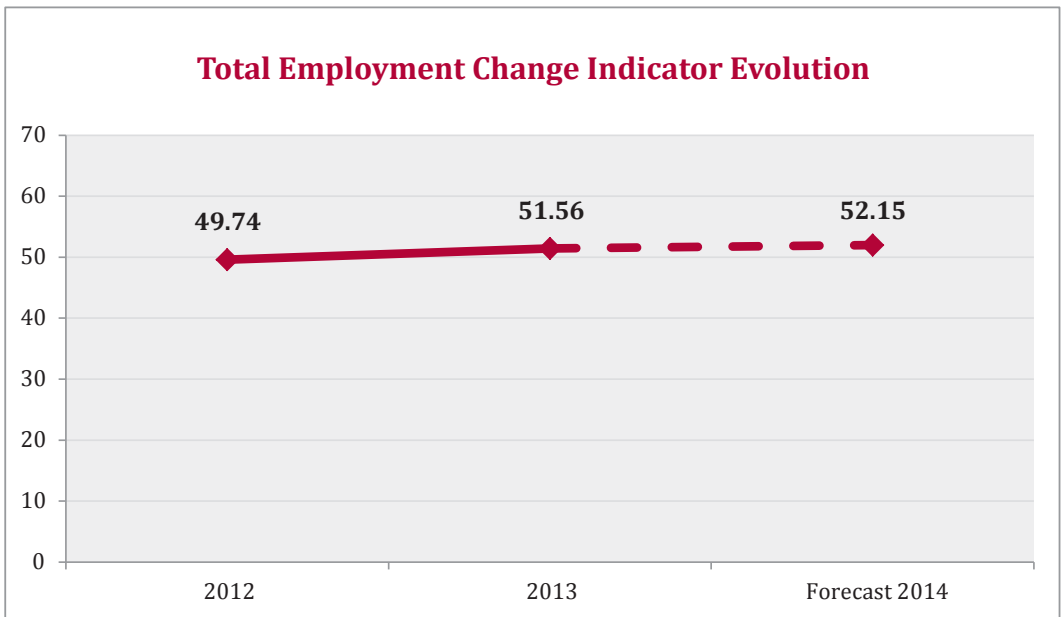
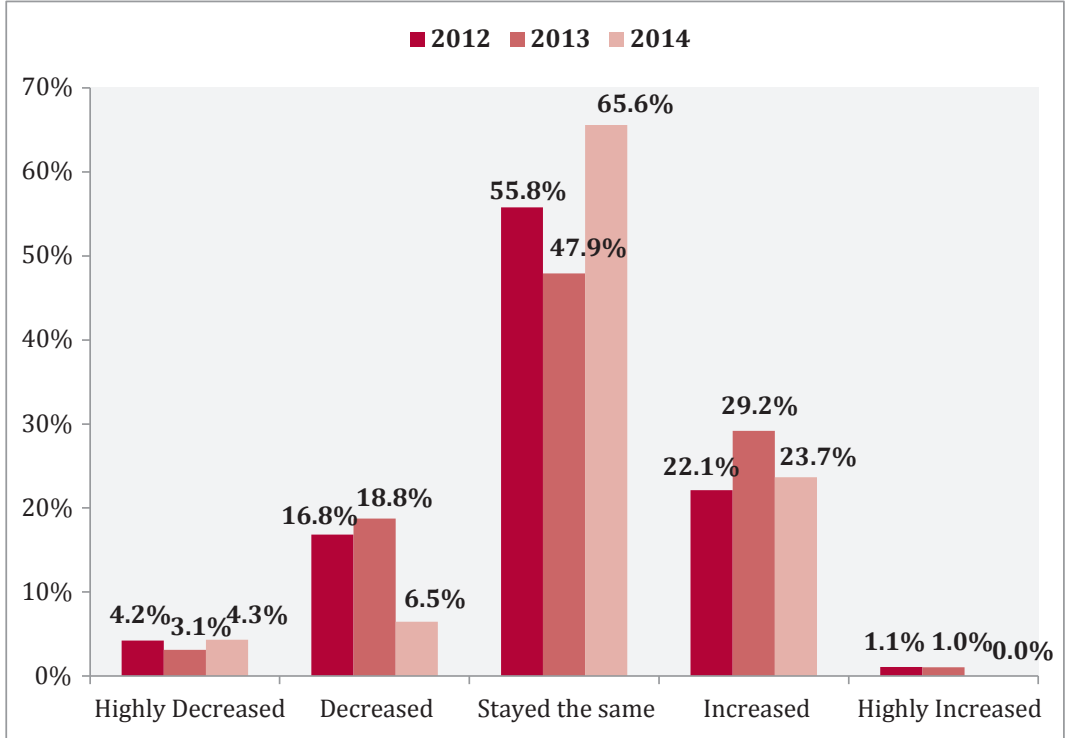
*In case you have export activity, how have your export orders for your goods and services developed in the last year (2013)?
How do you expect the export orders for your goods and services to change in 2014?*



This chart shows the indicator evolution. Higher results are better.

4.5.3 TOTAL EMPLOYMENTS CHANGES

How has your firm's total employment changed last year (2013)?
How do you expect your firm's total employment to change in 2014?

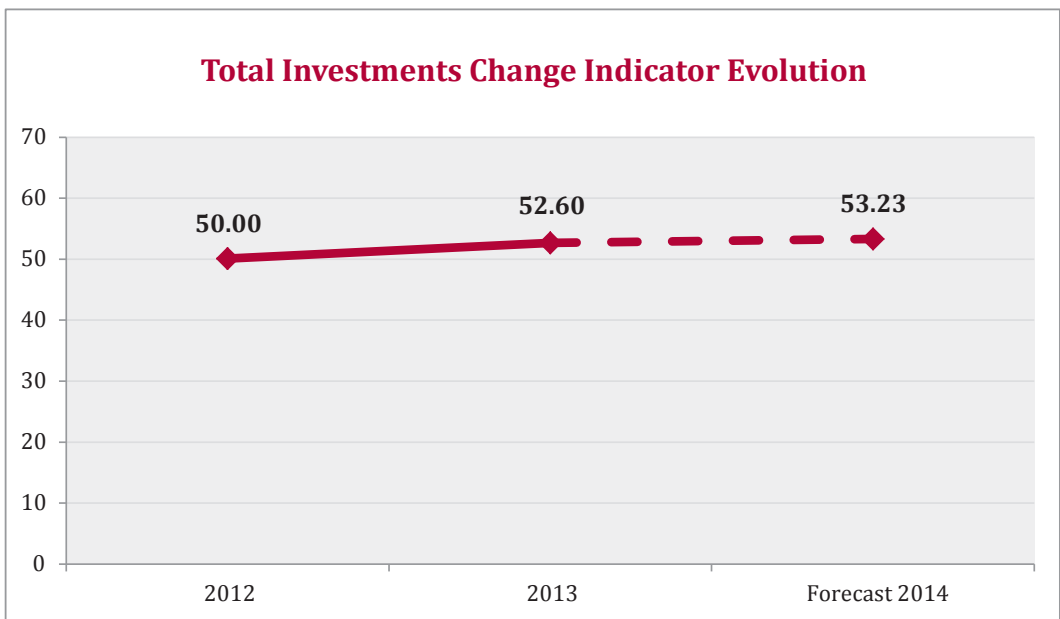
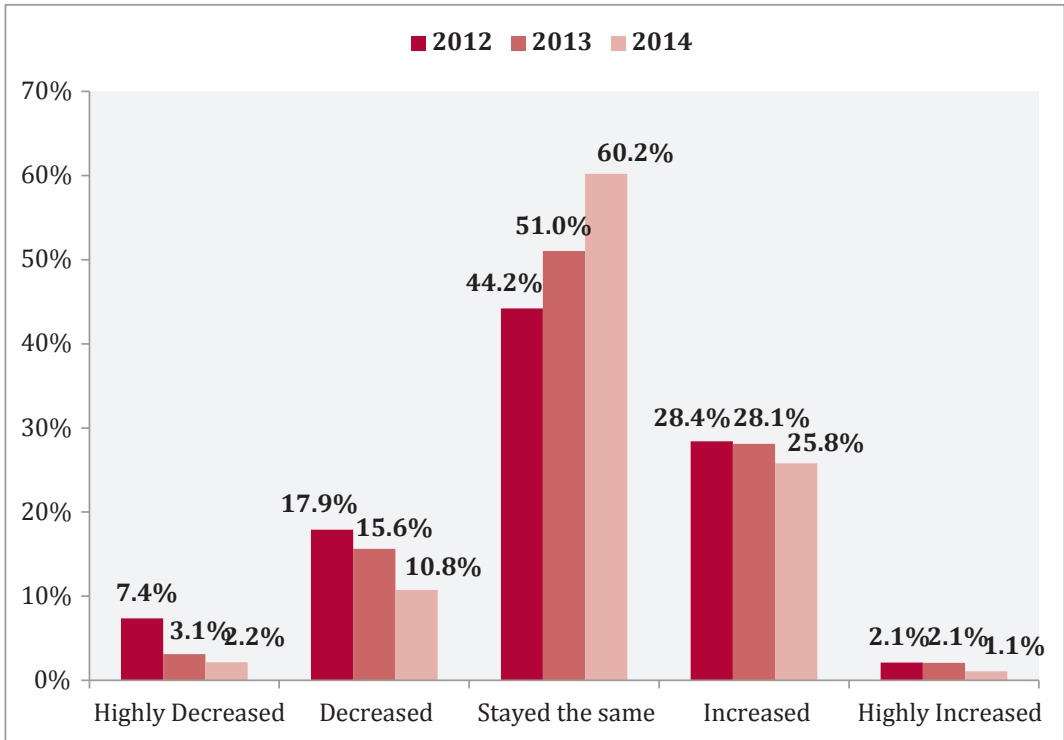


This chart shows the indicator evolution. Higher results are better.

4.5.4 COMPANY INVESTMENTS

How has your company investment changed during last year (2013)?

How do you expect your company investment to change in 2014?



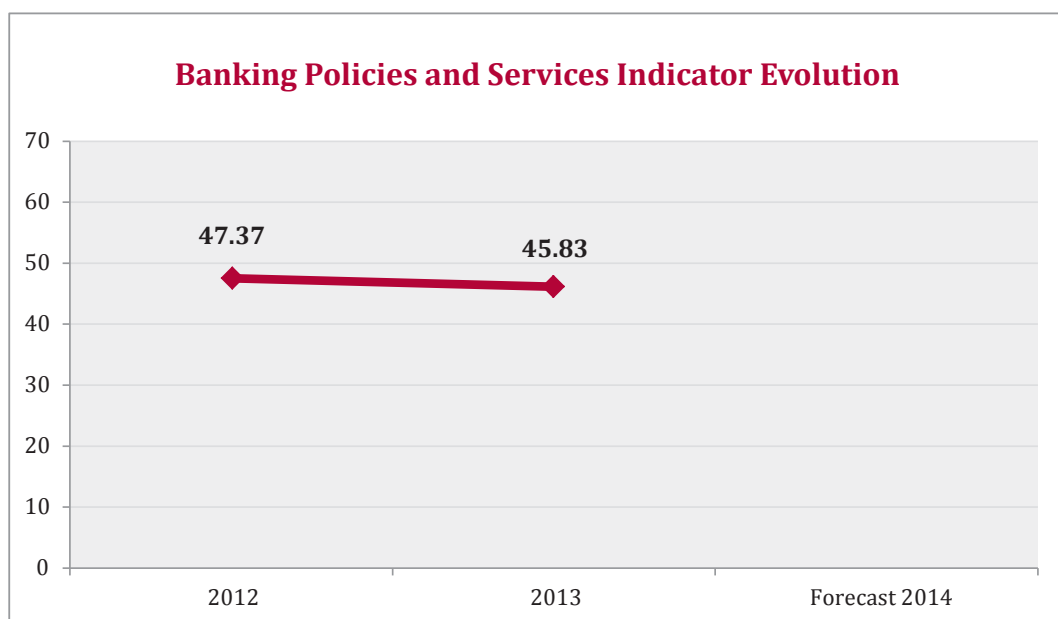
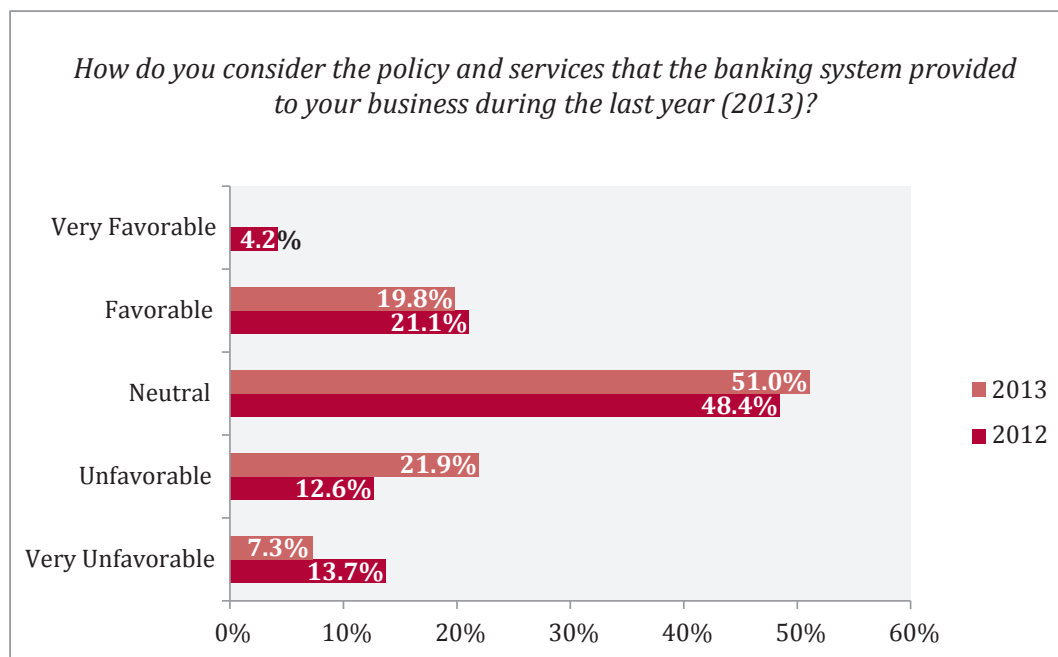
This chart shows the indicator evolution. Higher results are better.

4.6 FINANCIAL ENVIRONMENT

This section presents the opinion of AmCham members regarding financial environment in Albania in terms of financing of business development and the policy and services that the banking sector provides to the companies.

For 49% of companies it was difficult or very difficult to assure funds for investments during 2013, while 41% of them expect the situation to continue in 2014.

4.6.1 BANKING SECTOR POLICY AND SERVICES

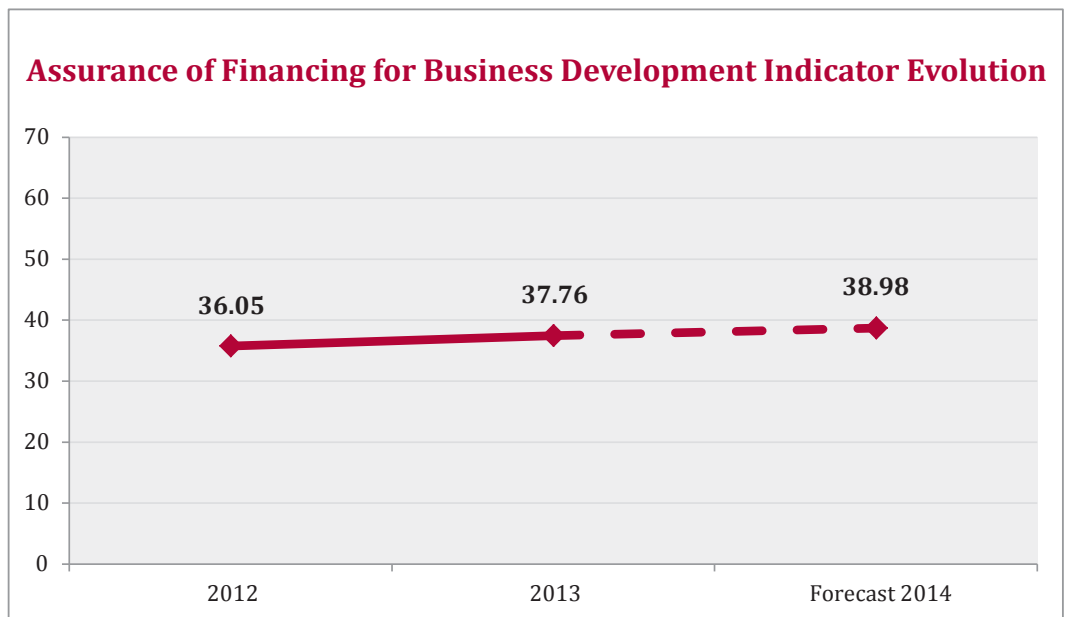
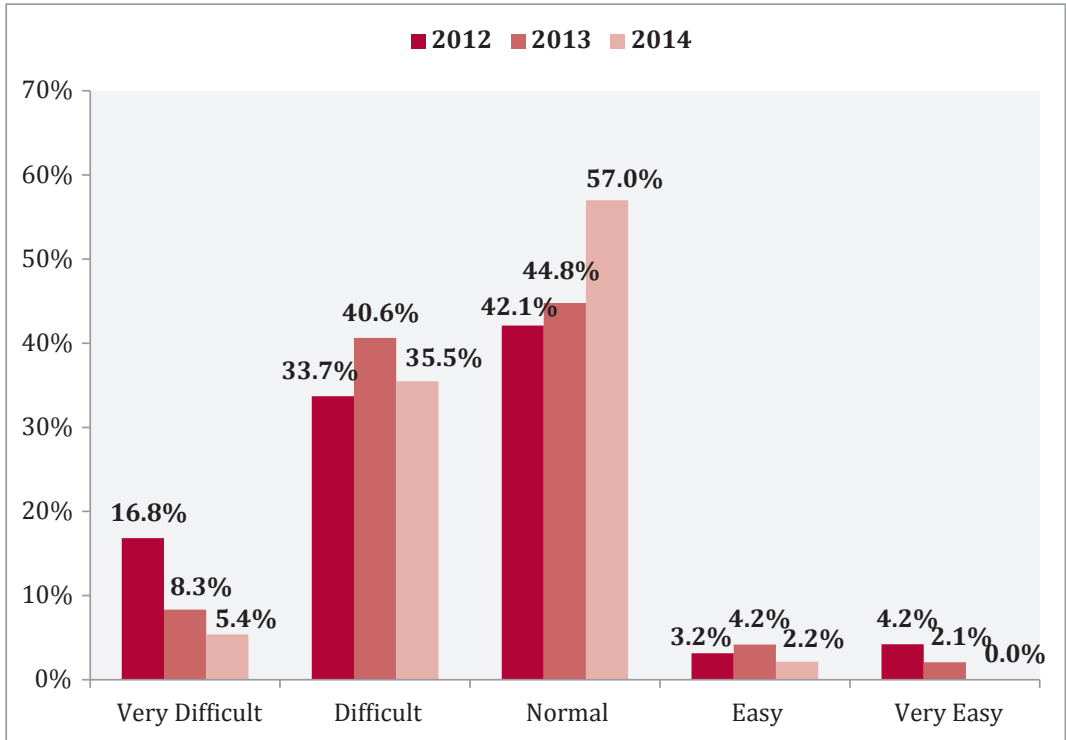


This chart shows the indicator evolution. Higher results are better.

4.6.2 FINANCIAL FUNDS ASSURANCE

How easy was for your company to assure financing for business development during last year (2013)?

How do you expect finding of financing for business activities to be during 2014?



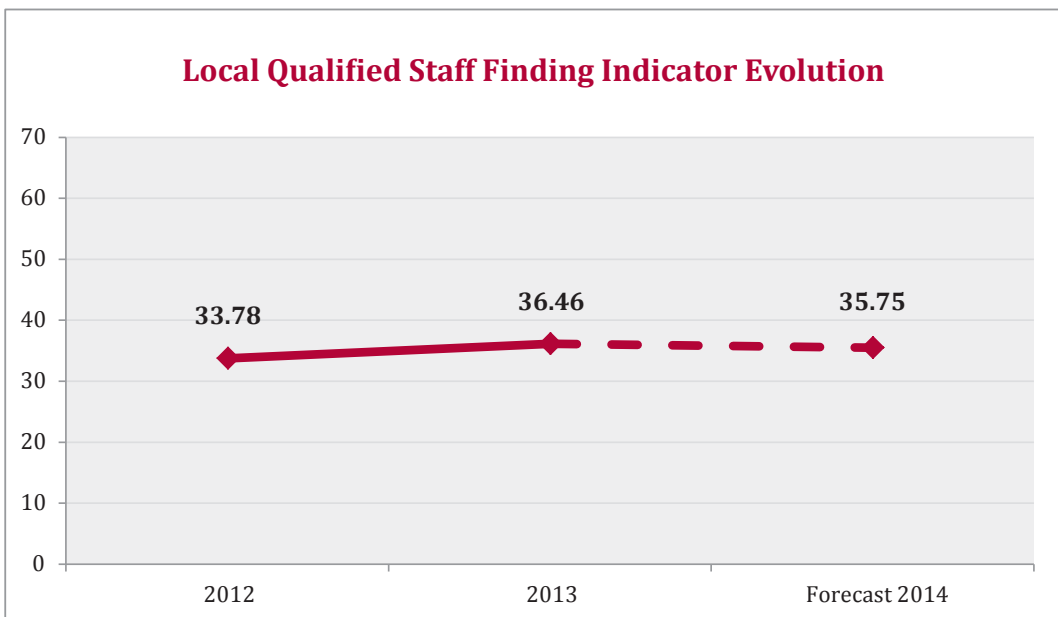
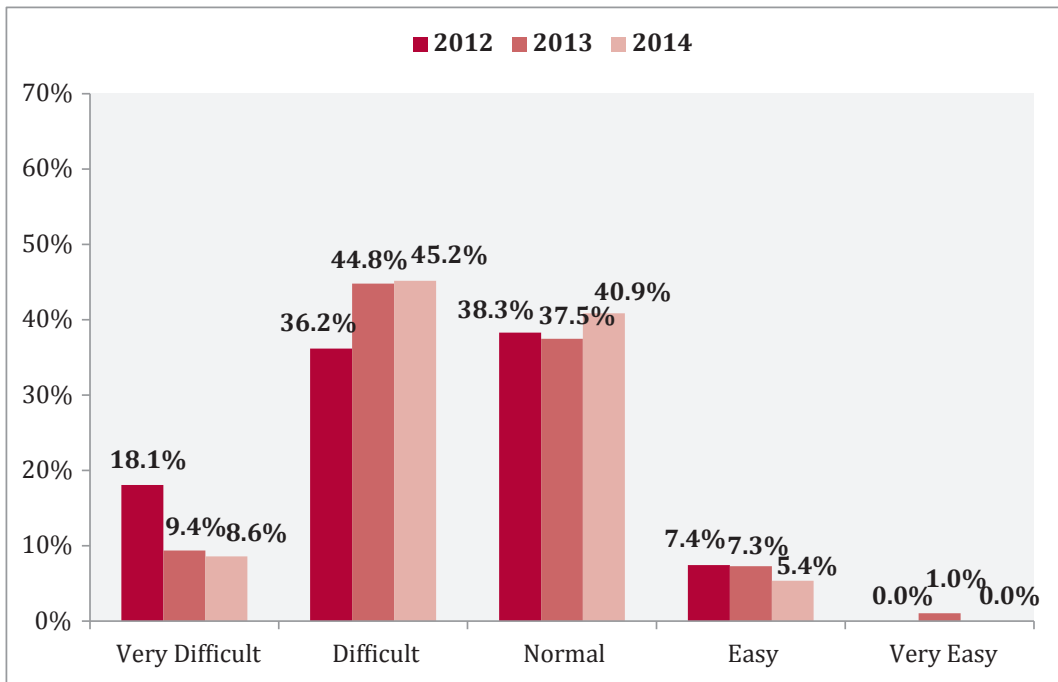
This chart shows the indicator evolution. Higher results are better.

4.7 HUMAN RESOURCES

For more than 50% of the respondents, it was still difficult or very difficult to find local qualified staff for their operations and activities.

4.7.1 QUALIFIED LOCAL STAFF FINDING

*How easy was for your company to find local qualified staff during last year (2013)?
How do you expect finding of local qualified staff to be during 2014?*



This chart shows the indicator evolution. Higher results are better.

5 ANNEXES

ANNEX I: RESPONDENTS COMMENTS

All the comments made by the participants are presented in this section.

SPECIFIC QUESTIONS COMMENTS

The below comments are made by respondents for impact of the factors like: Corruption Level, Government Bureaucracy Level, Informal Economy Level, Monopoly and Unfair competition, and relations with government authorities.

Comment 1 (Translated): *Informality has become the greatest obstacle for growing companies that have invested in the country based on the set rules. The extreme informality of their competitors has left these companies fighting for survival and unable to grow any further.*

Comment 2 (Translated): *We remain hopeful after the prime minister's statement that education, especially private education, will be reviewed to see that those institutions that deserve to stay open will do so and those that don't will not and will be closed. This way, an opportunity will be given to those that have invested seriously in the field of education. Having made such a selection, education will be dealt with more seriously in its endeavors. The new government, namely the Minister of Education, gives us hope that things will improve.*

Comment 3 (Translated): *For electricity, the problem starts early with inaccurate billing (surcharges and then hard efforts not to reimburse). The quality of supply is also a disaster with fluctuations in the 20 kw grid voltage that continuously destroy electronic control panels of machinery, making it an impossible mission to maintain the production standards needed to conform to certificates associated with products. That causes an interruption of the entire production process, and that, together with the raw materials, causes unjustified losses.*

Comment 4: *Security, as in theft was a large concern rather than order and safety*

GENERAL OVERALL COMMENTS

The following comments are general comments made by participants at the end of the survey.

Comment 5 (Translated): *Government policy changes and reforms relating to business operations should first undergo a consultation with interest groups, business associations and chambers of commerce, so that they produce the results that I have marked. If the government will reflect on those things that I have quoted, we can have an improve climate and encouraging results.*

Comment 6: *Thank you!*

Comment 7 (Translated): *We are still waiting for the creation of a favorable climate for businesses in Albania! Thank you for the continued opportunity you have created for us to express our thoughts!*

Comment 8 (Translated): *It's too bad that the Rama government is creating a suffocating environment for business through customs and taxes. We are certainly seeing reduced sales and profits, now resorting to saving on pencils and notebooks. Business has lost trust in the government reforms and corruption in customs has increased, as have taxes, with the government seeking profit tax, when we have no turnover and no profit. Now we*

are dealing with arbitrary bills, with 16,000 leks for water and 15,000 leks in electricity. Local taxes have doubled from 90,000 to 200,000 leks. This suffocating climate is creating insecurity in the country, and it is making all of us think up alternatives or leave to move the business abroad or consolidate, save and invest in the future. If initiative and freedom in business continues to be choked, we would willingly go and seek state employment because there will be no jobs and people will be bad to each other and envious. If you can, influence the partners to clear up the business environment.

Comment 9 (Translated): Everything is difficult but not impossible!

Comment 10: Thank You!

Comment 11: I think is necessary in Albania the total application of laws.

Comment 12: The economical, social and political situation of the country is not showing good signs for investments.

Comment 13 (Translated): I don't have any comment, but the government needs to start as soon as possible with an investment policy to guarantee the growth of the economy, otherwise the situation will be very difficult. There needs to be a larger focus on reducing informality and increased focus on professional and university education.

Comment 14 (Translated): We realistically expect 2014 to be a good year.

Comment 15 (Translated): Albania lacks reliable measurement mechanisms. Energy prices rise for those who pay; taxes and economic policies affect those who follow the rules and pay. Corruption hurts most those who are in need (judicial and health systems). Natural resources have been almost depleted or degraded. The level of education is very poor! That's why I think that: Politics needs to open the way for professional people in every field to do their jobs!

Comment 16 (Translated): I think that the priority interventions to improve the business climate should be: 1. Fight against the informal economy, all businesses, even those called small should be subject to VAT. 2. Changing the legal matter to improve laws that worsen the business climate and the cause of corruption, starting with the Law on Tax Procedures, the VAT Law, etc.

Comment 17: Company had to file "chapter 11" after new government acted blocking its Bank Accounts.

Comment 18: Very bad performance of actual government. They are not building a state of rule of law. The majority of ministers are inexperienced and don't understand the country priorities. They have no policy nor vision how to cope with fiscal evasion and piracy issues. Their fiscal reform makes no sense under actual economic country conditions, actions which will deteriorate the economy and will put the country in deep economic crisis. The business climate is worsening and the actual govt did not maintained the electoral promises to support the business climate. The Customs and Tax are hunting for companies that have still available cash on their accounts to fine them to fill the state emptied treasury. In Albania we have the expression, from the raining of previous govt we are now on the hail of current govt.

Comment 19: We need to make some general reforms regarding increase of awareness and government recognitions of the real estate services in Albania

Comment 20: Albania needs to revamp its laws to make sense and join the 21st century, apply those new laws fairly and justly to all, and to create a forward looking plan for Tirana and the country with American - NOT European - experts. Solar water heaters for all through tax and finance breaks, Personal Rapid Transit throughout Tirana, Duress and the airport and geothermal energy for as many govt buildings as possible will save energy and create jobs while bringing Albania into the 21st century and making the daily life of Albanians less expensive, greener, healthier and easier.

Comment 21: The tax system (corporate and personal) will impact negatively the general economical situation of the company and the market.

ANNEX II: INDEX CALCULATION METHODOLOGY

QUESTIONS INCLUDED IN THE INDEX

The AmCham Business Index is calculated based on the results of the list of questions presented in the AmCham Albanian Business Index Table in the page 11 of this report.

These questions have five possible answers starting from negative (with 0 score) to very positive opinion (with 100 score).

For example the question “How was the business climate in Albania for the last year (2013)?” The scoring per each choice is:

Very Unfavourable	0
Unfavourable	25
Neutral	50
Favourable	75
Very Favourable	100

Each question used for the calculation of the index has a weight which is based on its relative significance on the overall business environment in Albania. For example the question “How do you consider the performance of the Albanian Economy last year?” has weight of 5% of the total index.

The sum of all weighted results is the result of AmCham Business Index.

CALCULATION FORMULA

First is calculated the average score of each question included in the index calculation using the below formula:

$$\bar{q} = \sum_{i=1}^n x_i / n$$

Where: \bar{q} is the average score of the question

x_i is the score of each answer given to the question

$\sum x$ is the sum of scores given to the question

n is the number of respondents that answered to the question

Then, the AmCham Business Index is calculated as the weighted average of the scores of the questions, using the below formula:

$$ABI = \sum_{i=1}^n (\bar{q}_i \times w_i)$$

Where: **ABI** is the AmCham Business Index

\bar{q}_i is the average score of each question calculated previously

w_i is the weight allocated to each question

n is the number of questions included in the index calculation

ANNEX III: AMCHAM BOARD



Mark Crawford
President
Aksioner International Securities Brokerage



Genti Daci
Vice President
ABCom



Genci Likoskendaj
Secretary
CCS Computer & Copier Systems



Alketa Uruçi
Treasurer
BOGA & Associates



Adrian Shehu
Board Member
T.C.N.- Telecommunication &
Computer Networking



Aleksandër Sarapuli
Board Member
Albanian - American Enterprise Fund



Avni Ponari
Board Member
SIGAL Uniqa Group Austria



Elton Çollaku
Board Member
Financial Union Tirana - Western Union



Julia Janecko
Board Member
Abraham Lincoln Foundation of Albania



Loreta Peçi
Board Member
PricewaterhouseCoopers Audit



Peter Clavelle
Board Member
Tetra Tech ARD



Floreta Luli-Faber
Executive Director
American Chamber of Commerce in Albania

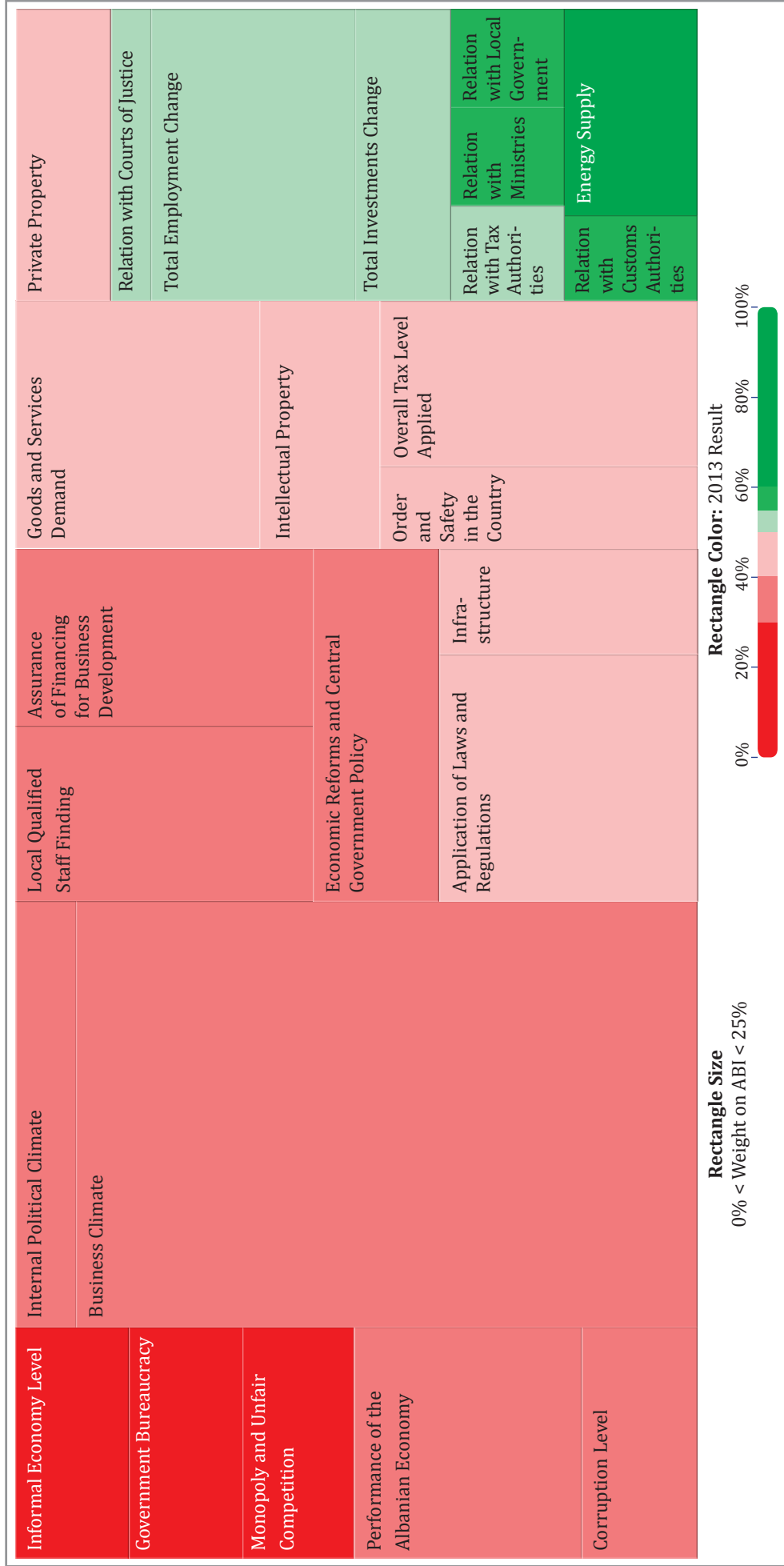
ANNEX IV: AMCHAM MEMBERS

A & A Group
A & B Business Consulting
A Bi Esse
ABC Health Foundation
ABCCom
Abraham Lincoln Foundation of Albania
ACI Engineering
Adamb
Adriatic Ventures (Adi)
Aiba Co
Ak-Invest
Aksioner International Securities Brokerage
Alb Comport
Alban (Hotel Bristol)
Albania Partners Absorber
Albanian Duty Free Distribution
Albanian Factoring Services (AFS)
Albanian Federation of Gastronomy
Albanian International School
Albanian Mobile Communications - AMC
Albanian-American Development Foundation
Albanian-American Enterprise Fund
AlbAtlas
AlbGarden
Albtours D - VAS tour operatore
Ald-Kris
Aleko Poshnjari
Alkan/SH
Alpha Bank
Aluflor Construction Group
Alumil - Albania
Ambra S.r.l.
American Noble Coffee
ANAS
Andela (Wilson School)
ANDE-LM Agency
Anosis
Antea Cement
Antoneta Gjeçi
APIA Wealth Management Albania
Artinel
ASG Group
Austrian Airlines/ Lufthansa German Airlines
Auto Star Albania
Avanntive Consulting
AVON Cosmetics Albania
B & B Food Service
Bakia Beton
Balfin-Balkan Finance Investment Group
Bankers Petroleum Albania Ltd.
Bar-Gallery-Art Cubi
Bar-Restaurant Shqiponja
Bayer D.O.O. Tirana Representative Office
Belle Air
Berdica
Beta
Bilanc
Bindi
Birra Korça
BOGA & Associates
Bozgo
Bozo & Associates
British American Tobacco Albania
Brunes
Bukuria Shqiptare Beli
CCS-Computer & Copier Systems
Century 21 Albania
Century 21 The Point
Cinnabon Adriatica
CMB Albania
Coca-Cola Bottling Shqiperia
Coffee Club Albania
Communication Progress
Dajti Ekspres
DDB Albania
Deloitte Albania
Devoll Hydropower
DHL International Albania Ltd.
Dimapak
DM Consulting Services Albania
Dress for Success
E.H.W.
EGNATIA Group
Elledi
Embassy of the United States
EMD Studio
Emigres
Enrico-Marinelli
Enternal
Erbiron
Ermira Lulaj
Ernst & Young EKA Shkup Tirana Branch
Europetrol Durrës Albania
Everest IE
Express Albania
Eyes Advertising
Fatmir Kazazi
Fejzo
Financial Services Volunteer Corps
Financial Union Tirana/Western Union
First
Foundation of the Church of Jesus Christ & latter Day Saints
Friends Distribution
Fufarma
Fusha
Fushe Kruja Cement Factory
GAEA-Green Alternative Energy
GDQ Foundation
Gender Alliance Development Center

German Albanian Logistics Agency (GALA)
 GlaxoSmithKline Export Ltd.
 Golden Eagle - Rogner Hotel Europapark
 Grant Thornton
 GSA
 Harry T. Fultz Foundation
 Hewlett-Packard IT BV Albania Branch
 Hotel Vila Alba
 ICTS Albania
 IDRA
 Ilia Kabuci
 ILMA-RB
 IMS Group
 InfoSoft Systems
 Intech +
 InterAlbanian
 Intermed
 International Commercial Bank
 Intersig Vienna Insurance Group
 Intesa Sanpaolo Bank of Albania
 Iris
 Jordil
 JT Internacional Tirana
 Jupiter Computer Systems Ltd.
 Kalo & Associates
 Kamza Development
 Kantina e Pijeve Gj. K. Skenderbeu
 Kastrati
 KDF
 KESH
 Kika
 Konsort
 Korsel
 KPMG Albania
 Ksamili Investment
 Laura Pustina
 Lita Brothers Construction
 Llambi Karbunara
 Loloçi & Associates
 Lotaria Kombëtare
 Madison Avenue-Crown Club Albania
 Marketing & Distribution, Albania
 McCANN Tirana
 Melgushi
 Mermer Balliu
 Messer Albagaz
 Microsoft Albania
 Miell - Tirana
 Mifol Inerte
 MRDC
 Muça
 NCH Advisors Inc.
 Nisatel
 NOA
 Optima Legal & Financial
 P.V.N.- Hotel Colosseo
 Pelinku Jeans
 Philip Morris Albania
 PolitOn Centre
 Porsche Albania
 Prespa 2000
 PricewaterhouseCoopers Audit
 Printec Albania (Cyprus) Limited
 Procredit Bank
 Professional & Business Women
 Association
 Real Estate INF 93'
 Realcom
 Regional Development Agency, Korça
 Relikaj
 Rezar Llukaçej
 Rian-M
 S & T Albania
 Salltik
 Sheraton Tirana Hotel
 SIGAL Uniqa Group Austria
 Sigma
 Silvi Construction
 Stefani & Co
 Stream Oil & Gas Albanian Branch
 Studio Avokatie Haxhia & Hajdari
 Studio Mallkuçi & Sadushaj
 Taçi Oil International
 Tafaj Z
 Tashko Pustina - Attorneys
 TCN
 Tea Construction & Petrol
 Teknoxgroup Albania
 Tetra Tech ARD
 Teuta Durrës
 Tirana Bank
 Tirana Business Park
 Tirana International Airport
 Tirana International School
 Tirana Leasing
 Tirex Exploration
 Tobacco Holdings Group
 Trema Engineering 2
 TriMed
 TUV Austria Hellas Ltd.
 Ulysses Enterprises
 United Bank of Albania
 United Transport-UPS
 University Marin Barleti
 University of New York Tirana
 Valu Add Management Services
 Vasil Shandro
 Veneto Banka
 Vodafone Albania
 Volunteer Pension Fund SIGAL
 Vullnet Shehu
 Wilo Adriatic
 Zaka & Kosta Attorneys at Law
 Zhan 92
 ZICO

ANNEX V: AMCHAM BUSINESS INDEX HEAT MAP

The following graphic presents the overall situation of the businessclimate and Amcham Business Index for 2013. The size of the rectangle means the impact that indicator has in the AmCham Business Index. The color of the rectangle means the result and the situation of the indicator in 2013.



KONSORT

Celebrating *10 Years* of Success
in delivering
Smart Business Systems

Consulting, Software, IT Systems

For more than 10 years **Konsort** has delivered IT solutions that have Increased Sales, Optimized Resources and Accelerated Growth for our customers in Telecommunication, Financial Services, Energy, Health, Public Administration, etc.

Our Services

- ◆ IT Consulting
- ◆ Software Development
- ◆ Systems Integration
- ◆ Service Outsourcing
- ◆ Support & Maintenance
- ◆ IT Training

Our Solutions

- ◆ Business Intelligence
- ◆ Document Management
- ◆ Case Management
- ◆ ERP & CRM
- ◆ Security & Audit Systems
- ◆ Cloud Solutions

