Albania

Your Next Nearshore Destination

October 2016
Albania’s Value Proposition

Value Proposition
Country Overview
Human Capital Overview
Infrastructure Overview
Government Support
Outsourcing Industry Profile
ALBANIA – THE TRUE NEARSHORE

**NEXTDOOR**

- South Eastern Europe
- Time Zone: CET (UTC+1)
- Multilingual population
- Cultural Affinity

**DEVELOPED SECTOR**

- Serves many verticals
- Approx. 32,000 employees
- State of the art Telecom
- Multi-channel capabilities
- SMAC ready

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**REAL SAVINGS**

- **CLASS-A OFFICE RENTAL (SQM / MONTH)**
  - Albania: €15
  - Poland: €33
  - Romania: €28
  - Bulgaria: €19
  - Ukraine: €31
  - Czech Republic: €27

- **CONTACT CENTER AGENT SALARY**
  - Albania: €4,200
  - Poland: €8,700
  - Romania: €6,300
  - Bulgaria: €6,853
  - Ukraine: €6,420
  - Czech Republic: €10,200

- Real Estate ~40% cheaper
- Salary ~50% lower

**PEACE OF MIND**

- EU Candidate
- Mature laws mirrored to EU
- Stable Republic
- NATO member

Ranks 8th Globally in Minority Investor Protection

**UNTAPPED PROFESSIONALS**

- Service Orientation: 32%
- Surplus talent Supply (15-24 age group): 25%
- 160,000 Annual University Enrollments

**REAL ESTATE**

- ~40% cheaper

**SALARY**

- ~50% lower
### Advantage Albania - Summary

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Near-shore to many EU countries. Less than 2 hours flying time</td>
<td>Near-shore to many EU countries. Less than 2 hours flying time from large markets such as Italy, France, Germany and Switzerland</td>
</tr>
<tr>
<td>Competitive Labor and Operating Costs</td>
<td>Competitive Labor and Operating Costs – average wage almost half of Italy, 3rd least expensive country in Europe, economical office space &amp; utility costs</td>
</tr>
<tr>
<td>Cultural affinity with developed European markets, liberal society and</td>
<td>Cultural affinity with developed European markets, liberal society and a young multi-lingual population</td>
</tr>
<tr>
<td>Politically stable, open economy and a liberal foreign trade policy</td>
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<td>Liberal Visa regime, Member of NATO and official candidate for</td>
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</tr>
<tr>
<td>Suitable Infrastructure- Air, Land Transport, Tirana Business Park,</td>
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</tr>
<tr>
<td>Incentives for outsourcing industry – Special perks for local</td>
<td>Incentives for outsourcing industry – Special perks for local entrepreneurship and for employing women and disabled persons; incentives for operations in tier 2 destinations</td>
</tr>
<tr>
<td>Sustainable Talent Pool- High proportion of graduates in Business,</td>
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Country Facts: Albania

**Government**
Parliamentary representative democratic republic

**Time Zone**
CET (UTC+1)
1 Hour ahead of UK Time

**Currency**
Albanian Lek-(ALL)
*Stable:* 134.5-142 ALL per Euro between 2011 & 2015

**Population**
Total Population- 3 Million
57% Population less than 35 years

**Languages**
Multiple Languages- English, Albanian, Greek, Italian, German, Macedonian, Turkish, Roma, Serbo-Croatian

**Multilateral Alliances**
Official Candidate- EU Accession
NATO Member

**Electricity Cost**
Among the lowest in CEE region.
Price- 10 US cents per kWh

**Commercial Real Estate**
Among the lowest in CEE region. Class A office rental- €15 per sq. mtr. per month

**Cost of living**
3rd least expensive country across 38 European countries

**Cost of Labor**
Minimum lowest monthly wages of Euro 166- Among the lowest in region
One of the fastest-growing economies in Europe, before the global economic crisis, Albania still enjoys one of the healthiest growth rates in Europe.

**Ease of doing business**

- Ranked 19th out of 190 for protecting minority investors on the WB ‘Doing Business’ rankings
- Ranked 58th out of 190 on the WB ‘Doing Business’ rankings
- Ranked 44th out of 190 in Ease of getting credit on the WB ‘Doing Business’ rankings

**Inflation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.0</td>
</tr>
<tr>
<td>2013</td>
<td>1.9</td>
</tr>
<tr>
<td>2014</td>
<td>1.6</td>
</tr>
<tr>
<td>2015</td>
<td>1.9</td>
</tr>
</tbody>
</table>

The Bank of Albania (BoA) maintains an inflation-targeting monetary policy. Exchange rate against Euro has changed little since 2011.

**Cost of Living**

**Consumer Price Index**

- Albania
- Poland
- Germany
- UK

<table>
<thead>
<tr>
<th>Year</th>
<th>Albania</th>
<th>Poland</th>
<th>Germany</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>47</td>
<td>55</td>
<td>100</td>
<td>131</td>
</tr>
</tbody>
</table>

Albania is the third least expensive country across 38 European countries using purchasing power parity.

Source - Eurostat

**Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (EUR Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.4</td>
</tr>
<tr>
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Albania is the third least expensive country across 38 European countries using purchasing power parity. Source - Eurostat

One of the fastest-growing economies in Europe, before the global economic crisis, Albania still enjoys one of the healthiest growth rates in Europe.
Connectivity & Proximity

Ease of Access - Visa:
- Albania is one of the most easily accessible countries in the European region
- Holders of a valid multi-entry USA, UK or Schengen visa can enter into Albania without an entry visa
- Holders of a valid residence permit in UK, USA, or in one of the Schengen states, can enter into Albania without an entry visa
- Citizens of EU and Schengen area, Armenia, Azerbaijan, Turkey, Ukraine, Kazakhstan, Kosovo, citizens of countries exempted from Schengen visa requirement can also enter into Albania without an entry visa by producing a valid identity proof

Ease of Access - Air Travel:
- Albania has 2 international airports: Tirana International Airport & Kukës Airport (Kukës Airport will be operational in 2017)
- Tirana International airport handled close to 2 million passengers in 2015 (an increase of 10% over 2014)
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Availability of Skilled Workforce with linguistic & cultural ties to EU

- 85% secondary enrollment rate, EU Average- 91%
- 63% tertiary enrollment rate, EU Average- 66%
- Steady stream of talent- Around 160,000 students enrolled in universities (Tertiary Courses)
- Traditionally emphasis on social sciences, business courses and legal studies- 41% graduates in social sciences, business & law
- 15 public universities and 25+ private Universities

- Albania is one of the most polyglot nations in Europe- due to migration, emphasis on learning foreign languages in the education system, cultural affinity and exchanges with neighboring countries, and larger effects of globalization, Albanians generally speak more than two languages
- English, Italian, German, French & Greek are the most widely spoken foreign languages

- 97% overall literacy rate
- 30% excessive supply of ready to deploy talent pool available at competitive rates

- Higher Education and training ranking has grown tremendously in the last few years in the Global Competitiveness index
- Large diaspora (~1.2 million) in the EU, USA & Canada
- Member of UN, NATO, WTO & Official candidate for membership of EU
Education - Creating a sustainable talent pool

- Traditionally, there has been an emphasis on social sciences, business courses and legal studies in Albania which is favorable from a BPO industry perspective.

- Albania is one of the most polyglot nations in Europe. Due to migration, emphasis on learning foreign languages in the education system, cultural affinity and exchanges with neighboring countries such as Italy, and larger effects of globalization, Albanians generally speak more than two languages.

### No. of graduates by discipline- 2015

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Law and Humanities</td>
<td>16,531</td>
</tr>
<tr>
<td>Health &amp; Life Sciences</td>
<td>4,026</td>
</tr>
<tr>
<td>Mathematics &amp; Statistics</td>
<td>2,806</td>
</tr>
<tr>
<td>Computing &amp; Service Sector Studies</td>
<td>793</td>
</tr>
<tr>
<td>Engineering, Manufacturing &amp; Construction</td>
<td>2,349</td>
</tr>
<tr>
<td>Others</td>
<td>3,996</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,501</strong></td>
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</tbody>
</table>
## Costs - Maximizing Value

### Labour Costs

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Employees</td>
<td>200</td>
</tr>
<tr>
<td>Average Annual Salary*</td>
<td>4,860</td>
</tr>
<tr>
<td>Benefits (% of salary)</td>
<td>25%</td>
</tr>
<tr>
<td>Training (% of salary)</td>
<td>7%</td>
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</tbody>
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### Facilities & Infra Costs

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<thead>
<tr>
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<tbody>
<tr>
<td>Gross sq. mtr./employee</td>
<td>7.75 sq. mtr.</td>
</tr>
<tr>
<td>Size of facility</td>
<td>1550 sq. mtr.</td>
</tr>
<tr>
<td>Rent per sq. mtr./month</td>
<td>€ 15</td>
</tr>
<tr>
<td>Energy Usage** (Annual)</td>
<td>300,000 kWh</td>
</tr>
<tr>
<td>Telecom &amp; Internet***Annual</td>
<td>€ 36,036</td>
</tr>
</tbody>
</table>

### Approx Annual Operating Cost

<p>| | |</p>
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<tr>
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<tbody>
<tr>
<td>Human Capital</td>
<td>€ 1,283,040</td>
</tr>
<tr>
<td>Rent-Office Space</td>
<td>€ 279,000</td>
</tr>
<tr>
<td>Telecom &amp; Internet</td>
<td>€ 36,036</td>
</tr>
<tr>
<td>Electricity</td>
<td>€ 30,000</td>
</tr>
<tr>
<td>Total Cost</td>
<td>€ 1,628,076</td>
</tr>
</tbody>
</table>

**Cost/Employee**

€ 8,140.38

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*Assumption based on 70:20:10 ratio of agent: higher skilled agent: supervisor
**Assumption based on usage of 25,000 kWh electricity per month
***Assumption based on inputs received from various BPO service providers; VOIP Costs are 0.03 € per minute and 10 MBPS Internet connection is Euros 100 per month in Albania

### A comparison with nearshore destinations in CEE

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<table>
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<tbody>
<tr>
<td>Class A Building Rent- Euro Per sq. mtr. per month</td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>15</td>
</tr>
<tr>
<td>Romania</td>
<td>29</td>
</tr>
<tr>
<td>Poland</td>
<td>33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Minimum Wages- Euro Per Hour</th>
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<tbody>
<tr>
<td>Albania</td>
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<tr>
<td>Romania</td>
</tr>
<tr>
<td>Poland</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Annual Contact Center Agent Salary- Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
</tr>
<tr>
<td>Romania</td>
</tr>
<tr>
<td>Poland</td>
</tr>
</tbody>
</table>
Albania’s Value Proposition
### Infrastructure - Cost & Quality

#### Air Transport

- **Quality of Air transport infrastructure – Score**
  - Albania: 4.8
  - Romania: 3.4
  - Poland: 3.8

- 2 International Airports
- Sector Reforms in 2016
- Opening up air transport in Albania
- Maximum 3 to 4 hour flight time to all major cities in Europe

#### Road Transport

- **Quality of Roads – Score**
  - Albania: 4.3
  - Romania: 1.9
  - Poland: 2.6

- Roads
  - Total: 18,000 km
  - Paved: 12,920 km
  - Unpaved: 5,080 km

#### Utilities

- **Electricity Cost - Euro Cents per kWh**
  - Albania: 9
  - Romania: 8
  - Poland: 14

- Among the cheapest utility costs in the CEE region
- Focus on renewable & clean energy
- Hydroelectric is the main source for Albania

#### Telecom & Internet

- **Internet Penetration - Users/100 Population**
  - Albania: 63
  - Romania: 56
  - Poland: 68

- Due to heavy competition in this sector, the quality and quantity of services has increased and service costs have significantly declined.
Real Estate Snapshot

<table>
<thead>
<tr>
<th>Class A Building Rent- Euros Per sq. mtr. per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>15</td>
</tr>
</tbody>
</table>

- At the end of H1 2015 total office supply in Tirana stood at 104,000 square meters including competitive and mixed-occupied Class A and Class B buildings
- The current vacancy rate is 13%
- Tirana Business Park (TBP) is the largest real estate, foreign, private investment in Albania by Germany’s Lindner Group-
  - The first phase (3 buildings with a gross floor area of approx. 39,000 square meters) of the Tirana Business Park had a grand opening on 30th June 2015. By 2022, 17 buildings will be erected, with a total built up area of approx. 176,500 square meter
  - The Chancellor of Germany, Angela Merkel visited TBP on 8th of July 2015.
Albania’s Value Proposition
Ease of doing business

The magnitude of taxation in Albania is lower than most peer group countries in the CEE region.

Due to a specific law on minority investor protection, Albania ranks 19th globally in “Minority Investor Protection” on World Bank’s index of ‘Ease of Doing Business.’

An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.
Government Incentives & Regulations relevant to the BPO industry

- Exemption from Corporate Income Tax (up to 50% of the tax amount) for a period of 5 years. (Current CIT rate is ~15%)
- Custom duty & exemption from VAT for Albanian goods that enter Technical and Economic Development Areas (TEDA)
- Training costs and R&D are twice deductible for a period of 10 years
- Other various fiscal incentives to promote employment in IT/BPO and allied industries
Government Incentives & Regulations for FDI

**Attracting FDI**
- Allows 100 percent foreign ownership of companies
- Specific protections for foreign investors
- Performance rules consistent with the WTO & TRIMs obligations

**Fiscal Incentives**
- Applies foreign tax credits rights even in case there is no double tax treaty in place
- Fiscal losses can be carried forward for three consecutive years
- Tax exemption of dividends designated for investments from resident taxpayers

**Bankruptcy & Arbitration**
- Foreign creditors have the same rights as domestic creditors
- Member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention)
- Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention)

**Transparency**
- Introduced an e-procurement law in 2006, and is amended periodically to improve public procurement procedures
- Focus on digitization of public services & e-governance
- Electronic platform for construction permits
### Albania: BPO Industry Profile

#### Industries served by Albania’s Outsourcing Sector

- **Banking, Financial Sector and Insurance**
- **Healthcare and Pharma**
- **Energy & Utilities**
- **Telecom, Media and Entertainment**
- **Travel, Tourism and Logistics**
- **Retail & e-Commerce**

<table>
<thead>
<tr>
<th>Service Line - 1</th>
<th>Service Line - 2</th>
<th>Service Line - 3</th>
<th>Service Line - 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice Inbound</strong></td>
<td>Technical Support</td>
<td>Help Desk &amp; Concierge</td>
<td>e-Commerce Customer Care</td>
</tr>
<tr>
<td><strong>Voice Outbound</strong></td>
<td>Telesales</td>
<td>Promotion Campaigns</td>
<td>Loan &amp; Card Collections</td>
</tr>
<tr>
<td><strong>Transaction Based</strong></td>
<td>Data Entry and Analysis</td>
<td>Translation</td>
<td>Document Processing</td>
</tr>
<tr>
<td><strong>KPO Services</strong></td>
<td>Stock Exchange Agents</td>
<td>Legal Services</td>
<td>HR Recruitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Market Research &amp; Surveys</td>
</tr>
</tbody>
</table>

**Ability of fresh graduates to perform IT operations is also in par with other competing destinations**
The outsourcing sector in Albania has seen steady growth in recent years. The Albanian BPO industry employs between 25,000 to 32,000 professionals across the sector.

Tirana is the outsourcing hub of Albania, followed by Durrës, Vlorë and Shkodër. Elbasan, Fier and Korçë are the other upcoming outsourcing centers in the country. Some of the major BPO companies operating in Albania:

Albanian BPO firms by employee strength

- More than 1000 seats: 15%
- 250-1000 seats: 45%
- 100-250 seats: 30%
- Less than 100 seats: 10%
Supporting Structures & Institutions

• Represents BPO companies’ interests’ vis-a-vis the Albanian government institutions through advocacy and lobbying activities

• Mediates to find suitable business partners for companies

• Carries out in-depth market surveys

• Facilitates access to consulting services for business development

• FIAA assists foreign investors better understand the value proposition of Albania; It helps foreign investors with information services, market research, lobbying, policy advocacy, networking etc.

• FIAA will support the BPO companies better prepare and market the Albanian value proposition in international trade events
CASE STUDY

One of the largest BPO firms globally wanted to offer multilingual capabilities such as Italian, German and French to their European clients and were looking for a cheaper and viable nearshore destination in Europe.

- Teleperformance Albania was founded in 2008 to provide an off-shore CRM (Customer Relationship Management) solution for the Italian market
- Started with an initial capacity of 100 workstations and grew exponentially by roughly doubling that number every six months
- They currently employ over 2,200 agents and serve world renowned brands such as Adidas, eBay, Sky, Apple, Barclays, Groupon and Air France among others
- TP currently provides multilingual contact center services along with data entry and non-voice services
- In 2014, the company started operating from two main sites: Tirana- More than 516 workstations, Durrës- 749 workstations
- They aim to double their employment count in 2017 and open another center in the country