



05-001-Palb-RF_en

SCHEDA PROGETTO

Codice	05-001
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Titolo	« Lead Generation Exercise For The Albanian Shoe & Leather Sector
Data inizio	01-01-2005
Data fine	31-01-2006
Area Geografica coinvolta	Europa, Balcani
Paese coinvolto	Albania
Area-Località di svolgimento	Tirana
Settore	Calzature e beni intermedi
Tipo di Progetto	Assistenza tecnica all'agenzia per gli investimenti ANIH nel settore della calzatura
Idea Progetto	Creazione di un sistema di relazioni industriale tipo "cluster" e di una rete transnazionale
Obiettivi generali	Costituzione di una associazione del settore
Obiettivi specifici	<ol style="list-style-type: none">1. Identificazione dei partner2. Fondazione dell'associazione3. Avviamento delle attività dell'associazione4. Organizzazione di uno schema finanziario sostenibile per l'attività dell'associazione5. Identificazione di una rete transnazionale di agenzie intermedie6. Missioni d'affari imprenditoriali
Tipo di attività svolte	<ol style="list-style-type: none">i. Raggruppamento dei partnerii. Coordinamentoiii. Finanziamentoiv. Avviamento delle singole attivitàv. Formazione del personale della ANIHvi. Missioni d'affari
Valore del progetto	Euro 1.152.000

Finanziatori	UK/UNDP
Esecutori	PISIE
Partner	ANIH
Beneficiari	ANIH
Responsabile PISIE	Carlo Milone
Esperti coinvolti	Carlo Milone, Diego Landi

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Note	
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05-001-Palb-RF	Scheda progetto
2	Rapporto 1

DRAFT REPORT*

**Resume of Preliminary Meeting Between the Promoters of the
Leather Cluster Association in Albania**

Wednesday, 26 July 2006

Author: Carlo Milone

Principal: UNDP

Beneficiary: Footwear Sector of Albania

Summary:

First Intermediate Report

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Abstract

Cluster Association offers suppliers an adequate framework to respond to increasing industry requirements. Co-operation in local networks, both vertically and horizontally, helps enterprises to face new challenges, although these have different expectations according to their size, financial position and technological profile.

In July the 25th 2006, a group of entrepreneurs of the footwear sector, under the consulting of the writer of this report (a sector expert hired by UNDP) and ALBINVEST, committed themselves to prepare a plan to establish the new Leather Cluster Network, through the assignment through the first set up of a Footwear manufacturers association, that will be linked to a wider cluster network

The network of associations will be designed to operate as a fully integrated cluster agency

The role of the Promoters Group of entrepreneurs will be to present detailed recommendations on the specification of the new Footwear Association based on parameters that will be provided to them by parties involved in the project to set up the association.

The first task will be to enlarge the Promoters Group and establish a steering committee, named the Promoters Committee, for the set up of the Association, with a spanlive limited to about 3 months.

The envisaged first step will be to implement the Footwear Association, as leader of a future Leather Network Association.

The initial tasks within a set up period will be:

- 1) Formalise the Promoters Committee, engaged to set up the Footwear Association and the Cluster network.
- 2) Select a Co-ordinator of the Association, already for the set up period, before the creation of the formal Footwear Association.
- 3) The association coordinator will be the person that would coordinate all the association operation within the cluster.

The Meeting to establish the Promoters Committee has been scheduled for next middle of September: Exact date will be decided by Albinvest in agrremments with the stakeholders.

Albinvest will also be responsible for the invitations to the meetings.

JULY INTERMEDIATE REPORT

1. INTRODUCTION

Context

There is a considerable history to the Development of the “à Façon” footwear producers within the industrial sector of Albania, which needs to be understood by way of background to this report.

Footwear and Other Businesses

It will be noted later in this report that footwear producers represent over three quarters of the leather and footwear businesses located in Albania. The other businesses can be categorized into 4 groups:

- Those, such as tanneries, that process raw materials and intermediate goods.
- Services that relate to the existence of the footwear workshops, such as sub-sub contractors and stores.
- Services that relate to the existence of the employees, such as employment services.
- Other non-footwear industrial activities, such as leather goods or similar .

The leather and leather products sector appears to have concentrated on the footwear “à Façon” manufacturers for many years and recent reports, including a UNDP survey on the sector, have maintained this focus. Although, it is correct that the majority of other businesses are related to the footwear, and will have to upgrade with the footwear if they are to improve the value chain, there is an additional issue over the extent to which these other businesses should be assisted to be integrated with the footwear sector. This is a key issue which we have to consider also as general objective of the implementation of a cluster association.

Status

For the set up of a cluster association, an International Consultant was contracted by UNDP, with the assignment to cooperate with ALBINVEST . The primary purpose of the assignment is to group the Albanian entrepreneurs of the leather, footwear and other linked sectors in the Future Leather & Leather Products Cluster Association Network

Enterprises needs the Association to assist them in accessing new market opportunities and in achieving long-term competitiveness.

Cluster Association offers suppliers an adequate framework to respond to increasing industry requirements. Co-operation in local networks, both vertically and horizontally, helps enterprises to face new challenges, although these have different expectations according to their size, financial position and technological profile.

Furthermore, enterprise networks are instrumental in offering business support services and in facilitating enterprises' access to resources such as technology, qualification, internationalisation tools, etc. The Albanian Leather & Leather Products Cluster should be well placed to generate the necessary contacts and to create new relationships.

Sensible Constraints: Import Duties

During interviews with the entrepreneurs interested to promote the association we became aware that some have purchased intermediate goods, raw materials and supplies not only for re-exporting to the Shengen market, but to export directly to the Balkans from Albania.

As the level of import duties for imported supplies applied is still very high (10% and more), this tentative of autonomous trade business of the footwear sector does not represent any improvement in the value chain and if the import duties conditions that apply in Albania will not change, the upgrading of the industrial footwear sector from an “à Façon” sub sector to an integrated cluster may be not considered further.

New Leather Cluster Network Plan

In July the 25th 2006, a group of entrepreneurs of the footwear sector, under the consulting of the writer of this report (a sector expert hired by UNDP) and ALBINVEST, committed themselves to prepare a plan to establish the new Leather Cluster Network, through the assignment through the first set up of a Footwear manufacturers association, that will be linked to a wider cluster network, as follows:

- Footwear manufacturers association: small and medium enterprises differentiated sub groups
- Leather goods producers
- Tanneries
- Italian Albanian Investors association AIIOA
- Sub contract manufacturers association

The network of associations will be designed to operate as a fully integrated cluster agency with support services including:

- Leather Technology Centre for training, and quality research
- Supplies representatives, including: hides and skins; chemicals; soles and accessories, finished products.
- Communication and marketing services suppliers
- Private and public partnership projects.
- Sector Lobbying and promotion

The role of the Promoters Group of entrepreneurs will be to present detailed recommendations on the specification of the new Footwear Association based on parameters that will be provided to them by parties involved in the project to set up the association.

Lead Role for Construction Project

Up to now the Promoters group is including 9 stakeholders, between entrepreneurs and other intermediate agencies:

1) Alba shpk
Lagjia nr. 3, Lac, Albania
Lac
00355 53 62484
00355 53 62485
00355 69 20 88878
albashpk@libero.it

Nikolin Lleshi, owner

A producer of uppers for men, women and children footwear, Alba shpk is located only 30 minutes far from Durres port. The company enjoys high quality and productivity and aims extension of its manufacturing service into completed shoes for more clients.

2) ASSA....

3) Albacoshoes
Rr. Ali Demi, Shkoze, Tirane
Tirana
355 48 300429
355 48 300428
355 68 20 41573

prdalbaco@albaniaonline.net

Shpresa Kociraj, administrator

A Cofra investment, Albacoshoes represent the most high technology and success in Albanian footwear industry. Delivery time is very important to Cofra's client. Though they have five days maximum turnaround time, from Albacoshoes an order can be delivered

4) Berttoni
L. Skenderbeg, Shkoder, Albania
Shkodra
00355 22 41499
00355 22 41499
00355 69 25 68684

Paulin Radovani, owner

Currently working exclusively for Filanto, the company prouds for quality and efficiency of production. The company is located in Shkodra city, only 2 hours far from Tirana. It employees more than 900 persons.

5) Donianna
Rruga e Durresit, prane ktheses se Kamzes, Tirana, Albania
Tirana
00355 4 357583
00355 4 357583
00355 68 20 24923

donianna@icc-al.org

Donika Mici, administrator

An investment of Adelchi and Albanian partnership, Donianna prouds for its social investment in hiring hundreds of people. The company has faced an

increased success during the years with exports not only in Italy and through it to EU countries

6) Filanto

Filanto in Tirana: Rt. Don Bosco, Fabrika e Kepuceve, Tirana, Albania
Filanto in Shijak, Durres: Fabrika e kepuceve, Shijak, Durres, Albania

Tirana and Durres

Filanto in Tirana: 355 48 202306 / 7

Filanto in Tirana: 355 48 202 305

00355 69 20 41427

Filanto in Shijak: filamm@abcom-al.com Filanto in Shijak: filamm@abcom-al.com

Giampiero Pellegrino, administrator

Filanto has been working in Albania since almost 15 years. Currently the company is finishing the complete shoe in Albania. Filanto is successfully working in Albania in its own 2 factories, while having a very successful production business with Berttoni

7) Picari

Fabrika e kepuceve Picari shpk, Patos, Albania

Fier

00355 381 4159

00355 381 2887

00355 69 20 74104

Picari_al@yahoo.it

Nimet Musaj, owner

Owned by visionary people, the company has been set up in an extremely advantageous location, only 1.5 hours from Durres port, in an area where a large pool of unemployed people are looking for job opportunities. The investment in this company is suitable

8) The Association of Tanners, President Mr. Luigi Nidito, -Shoqata Kombetare Shqiptare e Industrialistëve Te Lekures -, including 7 tanneries

9) The Association of the Italian Entrepreneurs of Albania, President Mr. Giovanni De Gennaro, ASSOCIAZIONE DEGLI IMPRENDITORI ITALIANI OPERANTI IN ALBANIA A.I.I.O.A. - Palazzo della Cultura Piazza Skanderbeg Tirana – ALBANIA - segreteria@aioa.com - Tel/Fax +355 4 234243 *Centro Studi* centrostudi@aioa.com , grouping more than 40 entrepreneurs between all sectors

To the first meeting, that had been scheduled at the Albinvest meeting room late on July, participated 4 entrepreneurs, all footwear manufacturers, Alba Shpk, Assa, Donianna, Filanto, the Consultant of UNDP, Mr. Carlo Milone, and Mr. Edmond Alla of Albinvest

This group of “four” Promoters decided to start up an itinerary that will lead to the implementation of a Footwear Association that will be linked to a wider Leather Cluster association, improving the contacts through the single entrepreneurs of the leather sub

sectors and extending the cooperation agreement to other stakeholders, like other sub sector associations.

The first immediate objective will be to enlarge the Promoters Group and establish a steering committee, named the Promoters Committee, for the set up of the Association, with a spanlive limited to about 3 months.

Business Development Initiative

An Action Plan will indicate the most important objectives of the Footwear Association to ensure the successful trading of the leather cluster following its upgrading by means of a cluster network, to achieve sector development through production facilities modernization, added-value production by moving-up the value chain to produce finished footwear and other leather products and increasing export sales. A key conclusion is that there should be business development activity delivered into first start up of the Footwear Association, before the formalisation of the new Footwear Association. This activity should be delivered in parallel to constructing the network linked to the existing stakeholders, associations and intermediate infrastructures, by means of a Coordinator of the Association, to be selected by the Promoters Committee.

A key recommendation is that the implementation of the association and the consequent networking of the stakeholders, should be viewed as a business development initiative, incorporating an Association set of activities, rather than the latter sector association being in the lead. The difference is encapsulated in the title of the Action Plan assignment which will included the statement “networking” of the existing leather sector in Albania designed to produce semi processed goods to a new cluster for the production and trade of finished leather products. A key point to understand the nature of networking is that the existing cluster is based on old production facilities; basically simple production practices; operating often in not formalised conditions; with poor quality skills; non-existent quality controls; low productivity; and low levels of added-value due to production concentrating on footwear semi processing .

All of features of the existing cluster can be summarized by it having a low level of international competitiveness. International customers are aware of the conditions within the existing cluster and are only prepared to buy workman forces for leather products assembling. The international competitiveness of Albania’s manufacturing sectors and businesses will be the primary concern of the Footwear Association and it will view the networking as providing a one-off opportunity to modernize the cluster to become internationally competitive from its upgrading of technological and marketing know how.

AIIOA

Following the launch to implement the Footwear association set up activity by a group of entrepreneurs, an independent Co-ordinator must be appointed by a Promoters’ Committee, that will be created during a meeting previewed in September 2006, to act as technical director for the establishment of the new Footwear Association facilities within the networking plan. This role includes advising on the memorandum of the association, and the design of priorities between the envisaged activities. The existing association AIIOA, according to a proposal agreed during the preliminary meeting of July that will be submitted to the stakeholders involved in the Promoters Committee and

verified during the meeting in September, will have the dual role to support in the very beginning the facilities and location of the Footwear Association set up coordinator and to give assistance to the office activities on the implementation of the set up activities.

Scope of the Work contained in the Terms of Reference of the Consulting for the set up of the Cluster Association

Objectives

The **specific objective** is to outline the basic organisational principles of a Cluster Association through the following assignments:

- Identification of the partners that are to be involved in the network, the entrepreneurial associations, public bodies and institutions that are to be integrated.
- Outline a co-ordination mechanism, identification of who assumes the role of co-ordinator, set up of the institutional organs (e.g. advisory committees) ensuring the consultation of partners and a balance of interests, in order to reach synergies and added value for the members.
- Identification of a financial scheme for the Association services.

Expected Results and Outputs

Initial start up of the association and initial activity for the internationalisation of the local Cluster through its linkage to a transnational cluster

Specific Activities

The proposed project has four steps, which are detailed below;

Networking the Partners:

It is important to integrate the whole production chain in the Association, including producers, service industries and technology poles (the small that exists), in order to generate a flow of communication and know-how between them.

Co-ordination

In all successful associations, co-ordination is ensured by neutral moderators: local institutions, entrepreneurial associations, or other organisms designed by the partners themselves .

Financing the Association

Establishing and maintaining an Association engenders substantial costs. During the start up phase of the cluster agency, it is necessary to invest in the setting up of the structures, first of all those designed for the management and communication activities

The implementation task of the Footwear Association will act as the catalyst to achieve the following sequence: implement the networking of the existing tanneries cluster out of “à façon” only business, activate the upgrading of all sectors potentially connected with the leather and leather products value chain; which is a pre-requisite for achieving the redevelopment of Albanian leather cluster business. The Cluster Network Element will also: result in the establishment of the new Technology Centre in Albania; provide the first activities to become established within the Public and Private Partnership in Albania and between Albania and some similar agencies in Italy.

The implementation of the Footwear Association has the potential to play this catalytic role, as when the production of some leading businesses will be upgraded from sub contracting to finish products, then most of the other “à façon” establishments in the Albanian area will follow, or will be unable to survive. Likewise, when some new footwear manufacturers able to produce finished goods will start to operate in Albania, they will act as a magnet for intermediate goods manufacturers to be located close to their clients. The Cluster Networking Project can act as the driver of change and development for both the redevelopment of the leather products manufacturing and vertical integration of the cluster.

Promoters Committee

The main reason for need to drive an on going implementation plan is to provide a position statement on how the project will reach its up to the target stage. The decision for the leather cluster entrepreneurs of Albania to become able to produce inished products has fundamental implications for the next stage of development of the Footwear associatiin, as well as for the establishment of a Cluster Network.

The Promoters Committee will have to survive after the start up of the Footwear association as leading group for the completion of the Cluster Networking

2. SET UP OF THE FOOTWEAR ASSOCIATION

New Footwear Association

The envisaged first step will be to implement the Footwear Association, as leader of a future Leather Network Association.

The initial tasks within a set up period will be:

- 4) Formalise the Promoters Group into a Guide Committee, committed to set up the Footwear Association and the Cluster network.
- 5) Select a Co-ordinator of the Association, already for the set up period, before the creation of the formal Footwear Association.
- 6) The association coordinator will be the person that would coordinate all the association operation within the cluster. The main duties of the coordinator on the short-term (the set up period) will be:
 - Identifying all the companies in the sector
 - Identifying all the other bodies that will contribute to future operation of the association
 - Raise awareness among the companies and the benefits of the association
 - Create a network of all the players
 - Organize meetings for the promoter group and also for the companies

Envisaged timetable: 3 months.

Implications For Budget

With the change to the leather sector becoming an integrated cluster to produce and market finished products, the current Promoting Group will no longer be in the lead role, which will pass to a new implementation structure. The work that has been undertaken by some Promoters between the entrepreneurs for the organisation of last few meetings between the stakeholders, it will from after contracting the Co-ordinator be made through the new preliminary structure, based on a Partnership arrangement with AIIOA, see previous section.

The Promoters Group, the Co-ordinator and ALBINVEST, within the Public and Private Partnership scheme, have to understand the costing of the set up stage and prepare a budget plan. New costings for the enhancement of the newtorking and service activities will be prepared also under the Public and Private structure.

An initial budget for the work to be undertaken by the Co-ordinator is here following included:

Envisaged Budget and Timetable

- 1) A first budget of Euro 9.200 must be supported by the Promoters Committee for the set up of the footwear association, for a preliminary feasibility of about 3 months. The budget costs will be divided minimum between 6 entrepreneurs.

- 2) it is envisaged that one year management of the Footwear association, after its establishment, will cost Euro 29.400
- 3) The returns for the “Association Fees” that will be applied through the partners will be put on the tune of Euro 9.600 for the set up period, and of Euro 39.000 for the period of the first year of activity of the Footwear Association, equivalent to Euro 3 per employed/year, for about 13.000 workers/year distributed between 40 associated enterprises.
- 4) Other costs to be supported during the first year implementation will be some legal fees for establishing the association and for the accounting and audit
- 5) The balance between budget costs and revenues will be equal to Euro 8.500, a sum that could be used to partly reimburse the start up tasks, supported by the Promoters Committee.

A. BUDGET OF THE PROJÉT

N°	Type of costs	Unit	Unit cost (Euros)	Quant.	Total cost(Euros)
1	Preliminary Set Up of the Footwear Association				
1.1	Fees				2.800,00
1.1.1	Co-ordinator	Man/month	500,00	4,00	2.000,00
1.1.2	Secretariat	Man/month	200,00	4,00	800,00
1.2	Facilities				6.400,00
1.2.1	Communication and mail	month	500,00	4,00	2.000,00
1.2.2	Transports	month	500,00	4,00	2.000,00
1.2.3	Office rent and costs	month	600,00	4,00	2.400,00
	TOTAL 1				9.200,00
2	Association Management Yearly Costs				
2.1	Fees				10.200,00
2.1.1	Co-ordinator	Man/month	500,00	12,00	6.000,00
2.1.2	Secretariat	Man/month	200,00	12,00	2.400,00
2.1.3	Clerck	Man/month	150,00	12,00	1.800,00
	TOTAL 2				29.400,00
3	Revenues: Association fees				
3.1	Set up				-9.600,00
3.1.1	6 enterpises	unit	1.600,00	-6,00	-9.600,00
3.2	Implementation				-39.000,00
3.2.1	40 enterpises:				0,00
3.2.2	13.000 workers	worker/year	3,00	-13.000,00	-39.000,00
	TOTAL 3				-48.600,00
4	OTHER COSTS				
4.1	Accounting	month	500,00	1,00	500,00
4.2	Legal expences	lumpsum	1.000,00	1,00	1.000,00
	TOTAL 4				1.500,00
5	Balance				-8.500,00