

## FOREIGN DIRECT INVESTMENT IN ALBANIA (FISCAL YEAR 2004)\*

### INTRODUCTION

Foreign direct investments (FDI) stand in an important position in the economic background of the developing countries. They provide necessary investments for the economic growth and for the technological development, when domestic savings cannot. Moreover, capital flows serve as a signal for the change of one's country economic conditions, compared to the foreign ones. These flows influence a set of economic variables of a country, such as: current account deficit, exchange rate, domestic savings and investments, employment, etc..

Many countries have benefited from capital flows in the form of FDI. Fighting the lack of capital that the closed markets used to suffer, they have helped the effective use of these sources and they have created a competitive environment, which provides the investors with ever-growing outputs.

A long-lasting, positive effect of the FDI is the transfer of the production technology and of the most effective manners of industrial set up, from the countries of origin to the host ones. In this track, FDI also have a positive effect on the output of domestic companies. In general, the bilateral causative relationship between the FDI and the economic and political stability has been positive<sup>1</sup>, which means that the latter has induced higher levels of FDI. On the other hand, the great concentration of FDI in a country has helped its general stability. Another positive aspect is that, regardless of the cyclic trends, the capital in the form of FDI is not easily transferable within a short period of time, so it presents fewer risks to the monetary stability of a country than the other forms of financial capital.

Apart from the priority of drafting an institutional framework to encourage the foreign investment in Albania, their accurate measurement is a necessity of time. For this reason, the Bank of Albania, in collaboration with the Institute of Statistics conducts annual surveys in the enterprises with foreign capital participation. The purpose of these surveys stands in evidencing the foreign investment in Albania, through national surveys of the foreign and joint - venture enterprises operating in Albania.

The survey we are analysing is the second one conducted by the Bank of Albania. In monitoring this database, the Bank of Albania has planned the conduct of annual surveys. These surveys will be conducted among the population living by foreign direct investment enterprises in the country. Meanwhile, the all-inclusive FDI survey in Albania will be conducted every 3 years.

The success of this initiative is really important for the Bank of Albania, not only for the accurate measurement of foreign investment flow in Albania, but

also for the calculation of the stock of these investments, which will serve as a basis for defining the International Investment Position (IIP) of Albania.

The legal framework and the informal economy do not allow complete and real statistics on foreign direct investment in Albania.

The development of a database for the foreign capital in the form of direct investment and the research analyses on the results of the surveys, provide us with a clear setting of the origin of foreign capital in Albania, the sectors of economy that have absorbed most of the foreign capital and their effects on the domestic economy.

The analysis of the FDI market characteristics in Albania and of their productivity, may act as a promoting element in the opening of new foreign capital enterprises in Albania.

The study proceeds with definitions and methodologies related to the concept of the FDI. This section describes the approach used to estimate the foreign capital stock. The analysis of the survey results is divided into two main sections. Section 2 analyzes the numerical characteristics of foreign and joint venture enterprises operating in Albania (such as, the sectoral distribution of enterprises, their origin, the regional distribution of foreign capital enterprises in the country, the concentration of labour force, etc.).

Section 3 analyzes the quantitative characteristics of the FDI, mainly related to the evaluation of the capital stock by country of origin and its distribution by sectors of economy.

## I DEFINITIONS AND METHODOLOGIES

Even though the definition of the foreign direct investment has changed over the years, historically a certain limit of capital participation and the idea that the investor plans to show control influence in the enterprise, have been closely related to the meaning of the FDI. IMF and OECD, attempting to harmonize the definition, have developed a common definition: "... the foreign direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise).

Foreign direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, regardless of the legal form of their registration – as incorporated or unincorporated.

The fifth Edition of the IMF Balance of Payment Manual (BPM5) defines the owner of 10% or more of a company's capital as a direct investor. This percentage is used as the basic dividing line between direct investment and portfolio investment in the form of shareholdings. Thus, when a non-resident

who previously had no equity in a resident enterprise purchases 10% or more of the shares of that enterprise from a resident, the price of equity holdings acquired should be recorded as direct investment. From this moment, any further capital transactions between these two companies should be recorded as a direct investment.

A direct investor may be an individual, an incorporated or unincorporated private or public enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises.

Direct investment capital comprises (i) the capital provided (either directly or through other related enterprises) by a direct investor to a direct investment enterprise and (ii) the capital received by a direct investor from a direct investment enterprise.

Direct investment capital transactions are made up of the equity capital, the reinvested earnings and any other direct investment capital (or inter company debt transactions).

- Equity capital comprises equity in branches, all shares in subsidiaries and associates and other capital contributions.
- Reinvested earnings consist of the direct investor's share (in proportion to direct equity participation) of earnings not distributed, as dividends and earnings of branches not remitted to the direct investor.

#### 1.1 CALCULATION OF THE STOCK OF FOREIGN DIRECT INVESTMENT

In presenting the direct investment statistics is taken into account the fact that the direct investments consist in the relations of the foreign direct capital, derived from the participating interests of the non-resident units in the domestic enterprises. The FDI stock comprises:

1. the shares in the nominal capital held directly by shareholders (subscribed capital);

plus

2. the shares in the capital reserves and revenue reserves, as well as in the profits brought forward and in the profits for the year, to be attributed to the direct shareholders. These shares are determined based on the respective proportion shares of the individual direct shareholders in the nominal capital;

less

3. the shares in the losses brought forward and in the losses for the year to be attributed to the direct shareholders.

Aggregation of the items 1 to 3 above yields the direct investment capital.

The direct investment capital also comprises:

4. direct lending by direct or indirect shareholders in Albania or abroad.

plus

5. direct lending by other associated enterprises, namely – direct investment abroad – lending by affiliated enterprises in the country, and – in the case of foreign direct investment in the country – lending by affiliated enterprises domiciled outside the country.

Due to the lack of statistical information, in the calculation of the FDI stock are included only the three above mentioned items.

## II NUMERICAL CHARACTERISTICS OF THE FDI ENTERPRISES IN ALBANIA

### II.1 FOREIGN DIRECT INVESTMENTS (FDI) BY INVESTING COUNTRY

According to the origin of the investing country, Italy and Greece have a dominant position in foreign direct investment in Albania. 51 per cent of direct investment enterprises have participation of Italian foreign capital and 24 per cent of Greek foreign capital. The nearest followers are the Turkish capital (4 per cent) and the American one (3 per cent) (table 1). Meanwhile, we notice an opening toward China and the Middle East, accompanied by increasing flows of capital from these countries.

Investing Country	No. of enterprises	Percentage
European Union	434	82.5%
England	3	0.6%
Austria	3	0.6%
Belgium	1	0.2%
Bulgaria	2	0.4%
France	4	0.8%
Greece	128	24.3%
Germany	9	1.7%
Holland	2	0.4%
Hungary	7	1.3%
Italy	269	51.1%
Malta	1	0.2%
Cyprus	2	0.4%
Slovenia	2	0.4%
Sweden	1	0.2%
Regional countries	40	7.6%
Croatia	4	0.8%
Kosovo	6	1.1%
Macedonia	8	1.5%
Serbia and Montenegro	2	0.4%
Turkey	20	3.8%
Middle East & North Africa	15	2.9%

Table 1 Foreign direct investment by investing country

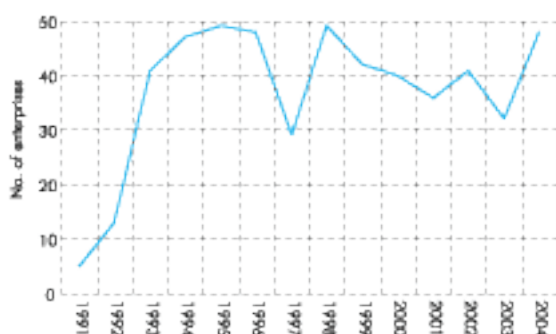
Saudi Arabia	3	0.6%
Egypt	3	0.6%
Kuwait	1	0.2%
Lebanon	6	1.1%
Israel	1	0.2%
Syria	1	0.2%
Far East	10	1.9%
China	10	1.9%
Australia	1	0.2%
United States of America	14	2.7%
Canada	2	0.4%
International Institutions	2	0.4%
Switzerland	2	0.4%
Other	6	1.1%
<b>Total</b>	<b>526</b>	<b>100.0%</b>

Source: Bank of Albania

## II.2 DYNAMICS OF THE ESTABLISHMENT OF NEW ENTERPRISES WITH FOREIGN CAPITAL

The frequency of FDI enterprises establishment in Albania, as expected, has followed the trends of the domestic economic development, since its opening to the foreign capital. The United Nations<sup>2</sup> cite the year 1990, as the year when the Albanian legislation first permitted the opening of the country toward foreign direct investment. The establishment of new enterprises with foreign capital participation in the country has increased over the first years of transition, having a recession during the socio-economic crisis of the year 1997 (chart 1). After this period, this trend has been moderated, also effected by the general problematic situation in the Balkans. The year 2004 seems to have had a positive trend.

Chart 1 Frequency of enterprises establishment over the years



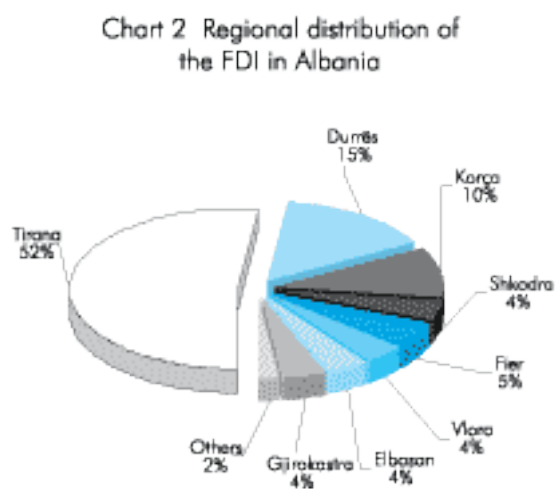
Source: Bank of Albania

## II.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN DIRECT INVESTMENT

Regarding the geographical distribution of the FDI in Albania, it is noticed that they are mostly concentrated in Tirana and in the west part of the country (chart 2 and table 1 in the attached annex). The areas with the most concentration of the FDI are the ones with the highest income and the most developed infrastructure. The central internal zone and the northeast part of the country are the least favourite areas for the foreign investors. Apart from the undeveloped infrastructure of these areas and the lack of marketing, the internal and external migration, which makes it difficult to find qualified labour force, is considered to have played a role in this. However, there is a considerable percentage of the FDI in the borderline with Greece, like in Korça and in Gjirokastra.

## II.4 CONCENTRATION OF THE LABOUR FORCE

Regarding the employment, there is a disproportion between the size of the enterprises and the labour force. Upon this, 46 per cent of the enterprises (table 2) have 1-9 employees, accounting for only 4 per cent of total employment. On the other hand, enterprises employing more than 100 employees represent only 12 per cent of FDI enterprises in Albania, employing about 61 per cent of the labour force. This means that there is a higher concentration of FDI enterprises in Albania, in labour-intensive sectors, clearly observed in the concentration of the FDI by sectors.



Source: Bank of Albania

No. of employed in enterprises:	Number of enterprises	%	Number of employed	%
1-9	238	46	901	4
10-50	171	33	4274	19
51-100	50	10	3777	17
over 100	62	12	13723	61
Total	521	100	22675	100

Table 2 Concentration of the labour force

Source: Bank of Albania

## II.5 FOREIGN CAPITAL PARTICIPATION

The participation of the foreign capital in around 66 per cent of the enterprises is within the interval of 75-100 per cent of the subscribed capital (chart 3). What stands out is the relatively high presence of the foreign capital in the enterprises with most employed people. Enterprises totally owned by foreign investors account for 56 per cent of the surveyed ones.

## II.6 FOREIGN DIRECT INVESTMENT BY SECTORS OF ECONOMY

The sectoral distribution of foreign direct investment in Albania shows a high level of concentration in the manufacturing industry and the wholesale trade (table 3).

This means that there have been more investments in sectors with high returns on investment. These investments may be considered unstable, because of the quick change of their geographic location and the sector they are operating.



Source: Bank of Albania

Meanwhile, investments in the manufacturing industry, represented by textiles and footwear, aim at labour-intensive sectors rather than capital or technological intensive ones. Hence, the role of these investments in improving the technology of the domestic production has fewer positive effects on other sectors of production. The last one may be also explained by the higher domestic demand for short-term consumer goods.

Combining these results with those on employment, we conclude that investment in industry have aimed at labour-intensive sectors rather than capital or technological intensive ones. This leaves little space to the role of foreign investment in the transfer of technology and in the enhancement of the technological capacity of domestic production, minimizing the positive side effects of these investments in other sectors of production.

(The analytical distribution of enterprises by economic activity is provided in table 2 of the attached annex.)

Table 3 Distribution of enterprises by sectors (NACE Rev. 1.1)

Section	Description	Number of enterprises	%
A	Agriculture, hunting and forestry	3	1
B	Fishing	3	1
C	Extraction industry	12	2
D	Manufacturing industry	234	45
E	Electricity, gas and water supply	2	0
F	Construction	41	8
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	142	27
H	Hotels and restaurants	7	1
I	Transportation, storage and communication	24	5
J	Monetary and financial intermediation	4	1
K	Real estate, renting, information technology, research and business activities	24	5
L	Public administration and defence; compulsory social security	0	0
M	Education	4	1
N	Health and social work	5	1
O	Other community, social and personal service activities	15	3
P	Activities of households	0	0
Q	Extra-territorial organizations and bodies	0	0
	n.a	1	0
	TOTAL	521	100

Source: Bank of Albania

### III QUANTITATIVE CHARACTERISTICS OF FOREIGN DIRECT INVESTMENT

#### III.1 FOREIGN CAPITAL STOCK

Starting from the available information and basing on the above explained methodology, the foreign capital stock, in the form of direct investment, is estimated at the level of ALL 38 billion for year 2004.

48 new direct investment enterprises were established over 2004 in Albania, bringing in a new flow of foreign capital of ALL 28.6 million. This flow of capital has been mainly absorbed by textiles, wholesale trade of foodstuffs, etc.

In addition, over 2004, in more than 12 per cent of the interviewed enterprises, the boards of shareholders have made decisions on increasing the subscribed capital, increasing the foreign capital in Albania by about ALL 5 billion. It seems that the foreign investors are evaluating the investment environment of our country. Reinvested earnings for 2004 were estimated at ALL 10 billion, considerably higher compared to the previous year, and it maintains the highest level for the period being analyzed.

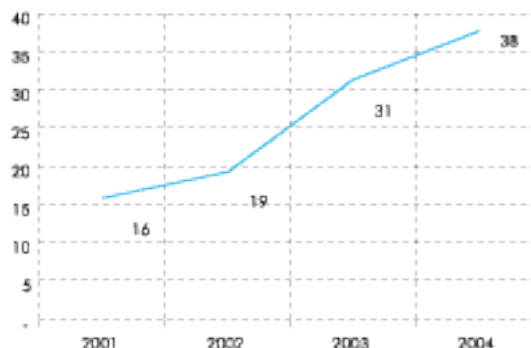
### III.2. FOREIGN CAPITAL ORIGIN

Investors from EU countries dominate FDI in Albania. At year end 2004, no less than 82 per cent of total FDI stock was accounted for EU countries, the major investors among them being Greece (with 48 per cent of total foreign equity stock at year end 2004) and Italy (with 30 per cent). (chart 4 and table 3 in the attached annex). Of non-EU countries, only Turkey and Lebanon are considered to be significant investors.

Greece and Italy have considerably increased their presence in the foreign equity stock in Albania. Albania's geographical proximity to these countries and its strong economic collaboration with the EU, are the main reasons for the domination of foreign investors from these countries.

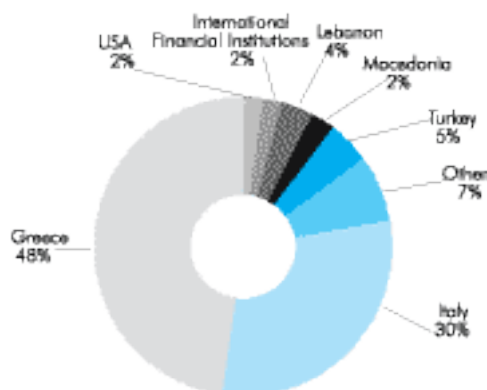
The growth of the foreign capital stock over the years seems to have been more significant for the Greek capital. By the end of 2004, the latter was estimated at about ALL 18 billion, from ALL 7 billion at year ended 2001 (chart 5). Greek capital is mainly concentrated in the communication sector (68 per cent), due to its participation in the privatization process over 2000-2001, and to the wholesale trade (13 per cent). Its presence in textiles has become weaker over the recent years.

Chart 4 Foreign capital stock over the years (in billions of ALL)



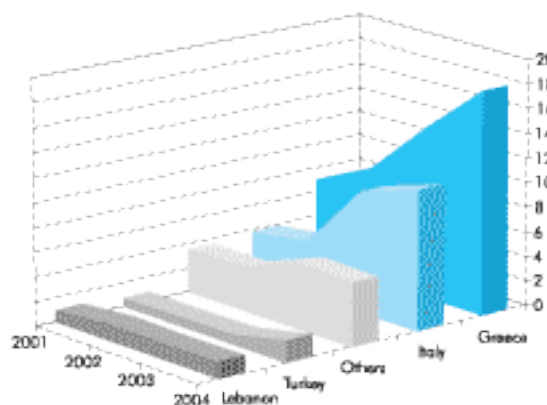
Source: Bank of Albania

Chart 5 Foreign capital stock by origin for 2004



Source: Bank of Albania

Chart 6 Performance of foreign capital stock by origin (in billions of ALL)



Source: Bank of Albania



Italian capital, for the surveyed period (2001-2004), has maintained its representation with investment in the manufacturing industry between the intervals of 60-65 per cent. By the end of 2004, the Italian capital stock was estimated at about ALL 11.3 billion from ALL 3.8 billion in 2001.

### III.3. DISTRIBUTION BY ECONOMIC ACTIVITY

Accounting for 36 per cent of total FDI stock at the end of 2004 and 45 per cent of the total foreign enterprises, manufacturing industry is by far the most attractive sector of FDI in Albania (table 5). Within the manufacturing sector, foreign capital, accounting for more than 65 per cent, is concentrated in textile and clothes industry, food processing and furniture. Manufacturing industries using technology (such as, medical and pharmaceutical, electrical machinery and equipment and electronics) and using the capital (such as, refined petroleum products and chemical products) almost share the remaining part. This indicates that a strong motivation for the foreign companies has been the competitive advantage of the cheap labour force.

The communication sector, being represented by only 5 enterprises, shares about 33 per cent of the foreign capital stock, by the end of 2004. The wave of privatizations over 2000-2001 attracted potential investors in this industry. Foreign capital invested in this sector has shown an increasing trend in the last years, by raising their share in nominal capital as well as the rate of reinvested earnings and investment over the fiscal year.

The rapid developments in the construction sector over the last years, are calling the attention of foreign investors. The presence of foreign capital in this sector has increased considerably over the last two years, bringing new flows of foreign capital even in other supporting fields, such as in architectonic and engineering activities (classified under section K, table 5).

Table 4 Distribution of foreign capital stock by sectors (NACE Rev 1.1) (in percentage)

Section	Description	2001	2002	2003	2004
					%
A	Agriculture, hunting and forestry	0.8	0.6	0.4	0.5
B	Fishing	0.0	0.0	0.0	0.0
C	Extraction industry	3.0	1.9	1.2	1.2
D	Manufacturing industry	33.1	31.7	37.8	36.3
E	Electricity, gas and water supply	0.0	0.5	0.3	0.2
F	Construction	4.8	4.7	5.6	5.6
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	10.4	6.8	5.6	9.6
H	Hotels and restaurants	6.7	5.5	3.4	3.0
I	Transportation, storage and communication	35.8	43.0	38.9	36.9
J	Monetary and financial intermediation	4.4	3.8	2.7	2.4
K	Real estate, renting, information technology, research and business activities	0.2	1.0	2.7	3.3
L	Public administration and defence; compulsory social security	0.0	0.0	0.0	0.0
M	Education	0.0	0.0	0.1	0.1

N	Health and social work	0.0	0.0	0.0	0.1
O	Other community, social and personal service activities	0.5	0.4	1.1	0.9
P	Activities of households	0.0	0.0	0.0	0.0
Q	Extra-territorial organizations and bodies	0.0	0.0	0.0	0.0
	n.a.	0.3	0.2	0.1	0.1
	TOTAL	100.0	100.0	100.0	100.0

Source: Bank of Albania

(The analytical distribution of foreign capital stock by sectors of economy is provided in table 4 of the attached annex.)

### III.4 INVESTMENT OVER THE FISCAL YEAR 2004

Rate of responses for this section is 56 per cent.

According to the available information from enterprises, about 100 per cent of investment flow over 2004 was used for fixed assets.

The total investment amounted to ALL 15 billion, out of which ALL 14 billion relate to foreign investors' quota.

More than half of total investment was used for technical installations, machinery and equipment.

Total Investments (I+II)	100.0
I. Intangibles	0.1
II. Tangibles	99.9
Out of which	
1. Land	1.7
2. Buildings	3.7
3. Construction and general installations	22.6
4. Technical installations, machinery, equipment, tools	51.6
5. Transportation means	3.2
6. Office and information technology equipment	2.5
7. Other	14.7

Source: Bank of Albania

Table 5 Structure of investment over the fiscal year 2003

The manufacturing industry results to be the sector with the major flow of investment over the fiscal year 2004, accounting for about 42 per cent, followed by the communication sector with about 39 per cent.

Section	Description	%
A	Agriculture, hunting and forestry	0.2
B	Fishing	0.0
C	Extraction industry	2.0
D	Manufacturing industry	42.2
E	Electricity, gas and water supply	0.5
F	Construction	1.3
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	10.4

Table 6 Structural distribution of investment over the fiscal year 2004 by sectors of economy

H	Hotels and restaurants	0.5
I	Transportation, storage and communication	38.5
J	Monetary and financial intermediation	0.0
K	Real estate, renting, information technology, research and business activities	2.9
L	Public administration and defence; compulsory social security	0.0
M	Education	1.0
N	Health and social work	0.2
O	Other community, social and personal service activities	0.3
P	Activities of households	0.0
Q	Extra-territorial organizations and bodies	0.0
	TOTAL	100.0

Source: Bank of Albania

ANNEX

Table 1 Foreign investment in Albania - by statistical region

No.	County	No.	Districts	No. of enterprises
1	Berat	1	Berat	7
		2	Kuçovë	
		3	Skrapar	
2	Dibër	4	Dibër	0
		5	Mat	
		6	Bulqizë	
3	Durrës	7	Durrës	76
		8	Krujë	68
4	Elbasan	9	Elbasan	8
		10	Peqin	21
		11	Gramsh	20
		12	Librazhd	1
5	Fier	13	Fier	24
		14	Mallakastër	20
		15	Lushnjë	4
6	Gjirokastër	16	Gjirokastër	19
		17	Tepelenë	18
		18	Përmet	1
7	Korçë	19	Korcë	52
		20	Devoll	48
		21	Kolonjë	1
		22	Pogradec	1
8	Kukës	23	Pogradec	2
		24	Kukës	0
		25	Has	
9	Lezhë	26	Tropojë	5
		27	Lezhë	5
		28	Kurbini	
10	Shkodër	29	Mirditë	
		30	Shkodër	23
		31	Malësi e Madhe	23
11	Tirana	32	Pukë	
		33	Tirana	273
12	Vlorë	34	Kavajë	271
		35	Vlorë	2
		36	Sarandë	21
		37	Delvinë	17
	Total	36		521

Table 2 No. of Albanian enterprises with foreign direct investment (direct affiliation) - by activity, end-year 2004

NACE	DESCRIPTION	No	%
A	Agriculture, hunting and forestry	3	1
'01	Agriculture, hunting and related service activities	2	0
'02	Forestry, logging and related service activities	1	0
B	Fishing	3	1
'05	Fishing, fish farming and related service activities	3	1
C	Mining and quarrying	12	2
CA	Mining and quarrying of energy producing materials	3	1
'10	Mining of coal and lignite; extraction of peat	0	-
'11	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction, excluding surveying	3	1
'12	Mining of uranium and thorium ores	0	-
CB	Mining and quarrying, except of energy producing materials	9	2
'13	Mining of metal ores	0	-
'14	Other mining and quarrying	9	2
D	Manufacturing	234	45
DA	Manufacture of food products, beverages and tobacco	14	3
'15	Manufacture of food products and beverages	12	2
'16	Manufacture of tobacco products	2	0
DB	Manufacture of textiles and textile products	92	18
'17	Manufacture of textiles	3	1
'18	Manufacture of wearing apparel; dressing and dyeing of fur	89	17
DC	Manufacture of leather and leather products	29	6
'19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear	29	6
DD	Manufacture of wood and wood products	8	2
'20	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	8	2
DE	Manufacture of pulp, paper and paper products; publishing and printing	10	2
'21	Manufacture of pulp, paper and paper products	4	1
'22	Publishing, printing and reproduction of recorded media	6	1
DF	Manufacture of coke, refined petroleum products and nuclear fuel	0	-
'23	Manufacture of coke, refined petroleum products and nuclear fuel	0	-
DG	Manufacture of chemicals, chemical products and man-made fibres	7	1
'24	Manufacture of chemicals and chemical products	7	1
DH	Manufacture of rubber and plastic products	12	2
'25	Manufacture of rubber and plastic products	12	2
DI	Manufacture of other non-metallic mineral products	20	4
'26	Manufacture of other non-metallic mineral products	20	4
DJ	Manufacture of basic metals and fabricated metal products	14	3
'27	Manufacture of basic metals	2	0
'28	Manufacture of fabricated metal products, except machinery and equipment	12	2
DK	Manufacture of machinery and equipment n.e.c.	1	0
29	Manufacture of machinery and equipment n.e.c.	1	0
DL	Manufacture of electrical and optical equipment	10	2
30	Manufacture of office machinery and computers	0	-
31	Manufacture of electrical machinery and apparatus n.e.c.	7	1
32	Manufacture of radio, television and communication equipment and apparatus	1	0
33	Manufacture of medical, precision and optical instruments, watches and clocks	2	0
DM	Manufacture of transport equipment	1	0
34	Manufacture of motor vehicles, trailers and semi-trailers	0	-
35	Manufacture of other transport equipment	1	0
DN	Manufacturing n.e.c.	16	3
36	Manufacture of furniture; manufacturing n.e.c.	16	3
37	Recycling	0	-
E	Electricity, gas and water supply	2	0
40	Electricity, gas, steam and hot water supply	1	0
41	Collection, purification and distribution of water	1	0
F	Construction	41	8

45	Construction	41	8
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	142	27
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	8	2
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles	108	21
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	26	5
H	Hotels and restaurants	7	1
55	Hotels and restaurants	7	1
I	Transport, storage and communication	24	5
60	Land transport; transport via pipelines	4	1
61	Water transport	2	0
62	Air transport	3	1
63	Supporting and auxiliary transport activities; activities of travel agencies	10	2
64	Post and telecommunications	5	1
J	Financial intermediation	4	1
65	Financial intermediation, except insurance and pension funding	2	0
66	Insurance and pension funding, except compulsory social security	2	0
67	Activities auxiliary to financial intermediation		-
K	Real estate, renting and business activities	24	5
70	Real estate activities	9	2
71	Renting of machinery and equipment without operator and of personal and household goods	2	0
72	Computer and related activities	2	0
73	Research and development	0	-
74	Other business activities	11	2
L	Public administration and defence; compulsory social security	0	-
75	Public administration and defence; compulsory social security	0	-
M	Education	4	1
80	Education	4	1
N	Health and social work	5	1
85	Health and social work	5	1
O	Other community, social and personal service activities	15	3
90	Sewage and refuse disposal, sanitation and similar activities	2	0
91	Activities of membership organizations n.e.c.	6	1
92	Recreational, cultural and sporting activities	6	1
93	Other service activities	1	0
P	Activities of households	0	-
95	Activities of households as employers of domestic staff	0	-
96	Undifferentiated goods producing activities of private households for own use	0	-
97	Undifferentiated services producing activities of private households for own use	0	-
Q	Extra-territorial organizations and bodies	0	-
99	Extra-territorial organizations and bodies	0	-
	n.a.	1	
Total		521	100

Table 3 Foreign direct investment in Albania by investing country 2001 - 2004.  
end-year stock in 000 Lekë

	2001	%	2002	%	2003	%	2004	%
European Union	12,197,774	77	15,119,893	79	25,641,738	82	31,085,736	82
of that								
Austria	873,285	5	873,390	5	874,102	3	874,117	2
Greece	6,973,210	44	9,205,083	48	13,906,849	45	18,139,697	48
Germany	290,252	2	388,130	2	382,921	1	369,613	1
Italy	3,760,558	24	4,410,597	23	9,896,521	32	11,314,441	30
Other countries	300,469	2	242,693	1	581,346	2	387,868	1
Europe & Central Asia	1,210,619	8	1,251,390	6	2,048,256	7	3,152,459	8
of that								
Croatia	178,110	1	178,110	1	281,907	1	325,792	1

Kosovo	51,243	0	77,060	0	92,608	0	115,890	0
Macedonia, Former Yugoslav Republic	278,968	2	247,644	1	849,865	3	898,669	2
Turkey	702,246	4	748,523	4	816,074	3	1,803,815	5
Other countries	53	0	53	0	7,801	0	8,292	0
Middle East & North Africa of that	1,521,447	10	1,932,085	10	1,882,647	6	1,972,923	5
Egypt	527,980	3	528,674	3	529,955	2	543,731	1
Lebanon	991,429	6	1,401,013	7	1,350,110	4	1,354,149	4
Other countries	2,039	0	2,398	0	2,582	0	75,043	0
East Asia & Pacific	777	0	777	0	38,306	0	13,515	0
China	777	0	777	0	38,306	0	13,515	0
United States	278,441	2	327,376	2	890,437	3	757,264	2
International Organisations	696,269	4	696,269	4	696,269	2	696,269	2
Other countries	13,146	0	-72,784	0	12,804	0	29,994	0
Total	15,918,473	100	19,255,005	100	31,210,458	100	37,708,160	100

Table 4 Foreign direct investment in Albania - by activity 2001 - 2004.  
end-year stock in 000 Lekë

NACE	DESCRIPTION	2001	2002	2003	2004
A	Agriculture, hunting and forestry	122,599	123,642	122,187	177,435
'01	Agriculture, hunting and related service activities	122,450	123,493	122,038	177,285
'02	Forestry, logging and related service activities	150	150	150	150
B	Fishing	3,871	5,400	5,301	5,157
'05	Fishing, fish farming and related service activities	3,871	5,400	5,301	5,157
C	Mining and quarrying	478,818	367,904	369,849	446,866
CA	Mining and quarrying of energy producing materials	3,051	-78,139	-15,339	-3,072
'10	Mining of coal and lignite; extraction of peat				
'11	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction, excluding surveying	3,051	-78,139	-15,339	-3,072
'12	Mining of uranium and thorium ores				
CB	Mining and quarrying, except of energy producing materials	475,767	446,042	385,188	449,938
'13	Mining of metal ores				
'14	Other mining and quarrying	475,767	446,042	385,188	449,938
D	Manufacturing	5,276,885	6,097,960	11805036.97	13,701,582
DA	Manufacture of food products, beverages and tobacco	1,087,117	1,122,912	4,890,497	4,071,129
'15	Manufacture of food products and beverages	898,688	928,740	4,704,788	3,884,379
'16	Manufacture of tobacco products	188,430	194,172	185,708	186,749
DB	Manufacture of textiles and textile products	1,016,115	1,193,020	1,325,668	1,440,979
'17	Manufacture of textiles	26,442	26,303	22,946	23,705
'18	Manufacture of wearing apparel; dressing and dyeing of fur	989,673	1,166,717	1,302,722	1,417,274
DC	Manufacture of leather and leather products	281,515	302,533	442,715	450,686
'19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear	281,515	302,533	442,715	450,686
DD	Manufacture of wood and wood products	183,867	184,927	306,678	280,800

'20	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	183,867	184,927	306,678	280,800
DE	Manufacture of pulp, paper and paper products; publishing and printing	10,673	7,491	16,082	53,428
'21	Manufacture of pulp, paper and paper products	210	222	690	34,711
'22	Publishing, printing and reproduction of recorded media	10,463	7,269	15,392	18,717
DF	Manufacture of coke, refined petroleum products and nuclear fuel	0	0	0	0
'23	Manufacture of coke, refined petroleum products and nuclear fuel				
DG	Manufacture of chemicals, chemical products and man-made fibres	68,158	70,855	73,613	85,881
'24	Manufacture of chemicals and chemical products	68,158	70,855	73,613	85,881
DH	Manufacture of rubber and plastic products	136,086	139,851	289,950	278,368
'25	Manufacture of rubber and plastic products	136,086	139,851	289,950	278,368
DI	Manufacture of other non-metallic mineral products	1,447,380	1,940,798	2,804,110	3,678,295
'26	Manufacture of other non-metallic mineral products	1,447,380	1,940,798	2,804,110	3,678,295
DJ	Manufacture of basic metals and fabricated metal products	588,372	497,227	598,430	1,739,017
'27	Manufacture of basic metals	415,200	282,455	294,411	913,092
'28	Manufacture of fabricated metal products, except machinery and equipment	173,172	214,772	304,019	825,925
DK	Manufacture of machinery and equipment n.e.c.	105	371	105	1,266
29	Manufacture of machinery and equipment n.e.c.	105	371	105	1,266
DL	Manufacture of electrical and optical equipment	8,143	8,008	382,507	913,872
30	Manufacture of office machinery and computers				
31	Manufacture of electrical machinery and apparatus n.e.c.	7,985	7,735	381,700	913,143
32	Manufacture of radio, television and communication equipment and apparatus	105	105	105	105
33	Manufacture of medical, precision and optical instruments, watches and clocks	53	168	702	624
DM	Manufacture of transport equipment	372,795	548,024	586,110	610,119
34	Manufacture of motor vehicles, trailers and semi-trailers				
35	Manufacture of other transport equipment	372,795	548,024	586,110	610,119
DN	Manufacturing n.e.c.	76,560	81,944	88,572	97,743
36	Manufacture of furniture; manufacturing n.e.c.	76,560	81,944	88,572	97,743
37	Recycling				
E	Electricity, gas and water supply	105	87,204	87,204	87,204
40	Electricity, gas, steam and hot water supply	0	54	54	54
41	Collection, purification and distribution of water	105	87,150	87,150	87,150
F	Construction	762,983	900,195	1,749,458	2,093,426
45	Construction	762,983	900,195	1,749,458	2,093,426
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	1,659,806	1,300,980	1,743,499	3,609,569



50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	83,675	70,782	85,795	95,081
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles	1,549,288	1,202,486	1,567,595	3,409,868
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	26,843	27,712	90,109	104,621
H	Hotels and restaurants	1,062,455	1,062,730	1,066,422	1,130,254
55	Hotels and restaurants	1,062,455	1,062,730	1,066,422	1,130,254
I	Transport, storage and communication	5,692,778	8,278,967	12152996.8075	13,896,890
60	Land transport; transport via pipelines	16,362	18,678	21,981	259,975
61	Water transport	5,167	-14,078	5,357	-125,036
62	Air transport	929,905	976,537	984,347	1,343,694
63	Supporting and auxiliary transport activities; activities of travel agencies	11,692	12,309	21,778	16,181
64	Post and telecommunications	4,729,653	7,285,521	11,119,534	12,402,076
J	Financial intermediation	705,069	726,789	848,860	893,634
65	Financial intermediation, except insurance and pension funding	1,155	1,155	104,952	148,836
66	Insurance and pension funding, except compulsory social security	703,914	725,634	743,908	744,797
67	Activities auxiliary to financial intermediation				
K	Real estate, renting and business activities	28,650	186,855	848,618	1,226,813
70	Real estate activities	21,567	42,678	678,499	713,149
71	Renting of machinery and equipment without operator and of personal and household goods	2,100	137,795	139,761	142,835
72	Computer and related activities	0	0	0	210
73	Research and development				
74	Other business activities	4,982	6,382	30,358	370,620
L	Public administration and defence; compulsory social security	0	0	0	0
75	Public administration and defence; compulsory social security				
M	Education	210	289	21,253	23,598
80	Education	210	289	21,253	23,598
N	Health and social work	2,132	2,132	14,821	20,819
85	Health and social work	2,132	2,132	14,821	20,819
O	Other community, social and personal service activities	78,012	69,860	330,851	350,812
90	Sewage and refuse disposal, sanitation and similar activities	200	1,318	200	1,834
91	Activities of membership organizations n.e.c.	70,792	59,397	59,039	71,982
92	Recreational, cultural and sporting activities	6,756	8,965	271,433	276,646
93	Other service activities	266	180	180	351
P	Activities of households	0	0	0	0
95	Activities of households as employers of domestic staff				
96	Undifferentiated goods producing activities of private households for own use				
97	Undifferentiated services producing activities of private households for own use				
Q	Extra-territorial organizations and bodies	0	0	0	0
99	Extra-territorial organizations and bodies				
	n.a.	44,100	44,100	44,100	44,100
Total		15918472.668058	19,255,005	31210457.555887	37,708,160

## ENDNOTES

\* Prepared by: Argita Frashëri, Head of Unit of Balance of Payments Division, Statistics Department.

<sup>1</sup> Razin, A.: FDI flows, a critical look, NBER Reporter Spring 2002.

<sup>2</sup> United Nation, World Investment Report, 1992.