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# Albania Investment Council

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Agenda 2015



# Investment climate in Albania

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## Doing Business 2015

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- ✓ Starting a business
- ✓ Dealing with construction permits
- ✓ Registering property
- ✗ Getting credit
- ✗ Paying taxes



# Investment climate in Albania

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## Economic Freedom Index

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- ✓ Freedom from Corruption
- ✓ Government Spending
- ✓ Monetary Freedom
- ✓ Labor Freedom
- ✓ Trade Freedom
- ✗ Fiscal
- ✗ Business
- ✗ Investments
  - Financial Freedom
  - Property rights Freedom

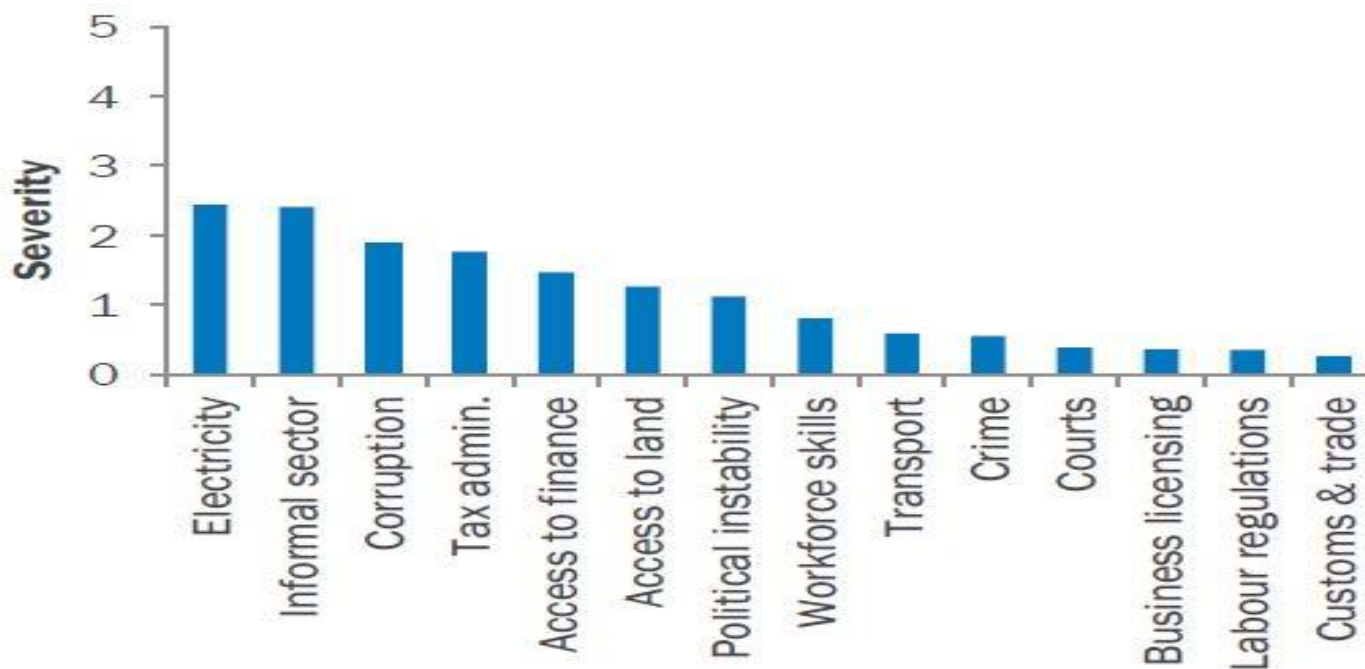


# Investment climate in Albania



## EBRD and WB “Business Environment and Enterprise Performance Survey”

Chart 1. Business environment obstacles



# EBRD and WB “Business Environment and Enterprise Performance Survey”

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## 3 main Business Environment obstacles

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**1** Electricity

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**2** Informal Sector

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**3** Corruption

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# Investment climate in Albania

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## Legislative framework

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**1**

**Strategic Investments Law**

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**2**

**Tourism Law**

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**3**

**PPP Law**

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**4**

**TEDA Law**

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# Law on Strategic Investments (1)

- **Concept**

- Strategic investments are investments in the energy and mining, transportation, telecommunication, infrastructure and urban waste disposal, tourism, agriculture and fisheries, and economic areas
- Selection criteria: investment cost (from 1 million euro), timeline of the investment, productivity, value added, employment (from 50 employees), regional economic development, development and improvement of standards and conditions for the manufacturing of goods and provision of services, introduction of new technologies, welfare improvements, environmental and consumer protection

- **Goals**

- Stimulate and support strategic investments in fast growing sectors
- Facilitate administrative procedures, increase transparency, and reduce legislative complexity for strategic investments

- **Authority**

- Albanian Investment Development Agency (AIDA), under the Ministry of Economy, serves as the main interlocutor between investors and other public authorities
- Strategic Investments Committee is a collegial body under the Council of Ministers that determines the strategic investment status
- Unit at the Prime Minister's Office to support AIDA and investors



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# Law on Strategic Investments (2)

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- **Benefits**

- AIDA assists investors with administrative procedures, it coordinates, consolidates land and other real estate, provides agency services for investors in their interactions with public authorities
- Expedited due diligence procedure (AIDA completes the due diligence within 30 days of the submission of an application)
- Support with the necessary infrastructure, such as roads, waterways, electricity, telecommunication lines
- Provision of immovable assets to develop and implement strategic investment projects (land, forests, agricultural land, coastline, lakes, rivers and riverbeds)
- Increased predictability and security of state - investor contracts through ratification of contracts by statutes
- State can participate in investment projects, for instance, as a developer
- A special fund is created for the purchase of privately owned land in order to support strategic investments





# Law on Tourism

## Introduction

- **Goals**
  - Tourism is considered a strategic sector, in line with the other legislation on strategic investors
  - Create conditions to attract foreign investments
  - Impose a duty on public authorities to assist investors and facilitate their operations
  - Create areas to be developed by investors, and provide for public – private partnerships
- **Authorized institutions**
  - Ministry of Economy
  - Network of regional units to allow for closer links between public authorities, investors and customers (such as regional committees, inspectorates, Standardization Commission)
- **Benefits**
  - Provide expedited procedures for land acquisition and leases up to 99 years
  - Introduce international standards and certifications for a sustainable tourist sector
    - Introduce a national system of classification for hotels and other accommodations
    - National licensing programs for tour operators and travel agencies
    - Professional certification of tour guides
    - Continuing education for public and private authorities that operate in the tourist sector



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# Law on Public-Private Partnership

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- **Goals**
  - Create a secure, predictable, sustainable, and transparent business environment
  - Expand the range of activities to include services, manufacturing, and commercial activities in all sectors of the economy, such as agriculture, public health, finances, energy, industry
- **Authorized institutions**
  - Ministry of Economy is the interlocutor between investors and other public authorities
- **Benefits**
  - Expedited procedures to evaluate project proposals (30 days for determining the public interest of the project, and 60 days to complete the feasibility study)
  - Public funds to support the feasibility studies and the submission of the application
  - Bonus points for unsolicited proposals



# Law on Technical and Economic Development Areas (1)

- **Concept**
  - Divided territory, developed in accordance with a general plan, equipped with the necessary infrastructure for manufacturing, industrial development and trade
- **Goals**
  - Attract foreign investments
  - Attract high value-added industries
  - Attract infant industries
  - Introduce new technologies
  - Incentivize research and development
  - Increase employment
  - Diversify and increase the competitiveness of the Albanian economy
  - Increase linkages with global markets
- **Selection procedures for developers and users**
  - The Council of Ministers adopts selection criteria and procedures for developers and users and the Ministry of Economy implements the legislation



# Law on Technical and Economic Development Areas (2)

- **Licenses and permits**
  - Ministry of Economy assists developers and users in obtaining licenses and permits from public authorities in an expedited manner (in half of the normal time required for processing the regular applications)
- **Authorized institution**
  - Ministry of Economic Development
- **Incentives**
  - From the moment goods enter Albania, they are exempted from custom duties and VAT
  - Albanian goods that enter TEDA are exempted from VAT taxation
  - Goods can be transported from one TEDA to another without paying custom duties or VAT
  - Capital expenses are 120 percent deductible during a period of 2 years if developers and users invest in TEDA within three years of its operation
  - Developers and users are also exempted from 50 percent of the profit tax rate (currently at a rate of 15 percent) for a period of 5 years



# Law on Technical and Economic Development Areas (3)

- **Incentives (...continued)**
  - A developer's project is exempted from infrastructure taxes
  - Buildings in TEDA are exempted from real estate taxes for a period of 5 years
  - Buildings transferred to TEDA are not subject to the transfer tax on real estate
  - Wages and social costs are 150 percent deductible for the first year, and new expenses for wages and social costs compared to the previous year are 150 percent deductible for the subsequent years
  - Training costs are doubly deductible for a period of 10 years
  - Research and Development costs are doubly deductible for a period of 10 years
  - General infrastructure to connect TEDA with the rest of the Albanian territory
- **Predictability**
  - Stabilization clause
  - (Derived from other legislation
    - Protection against expropriation
    - Non-discrimination
    - Capital transfer
    - Fair and equitable treatment)
  - Developers and users can use International Accounting Standards and foreign currency
- **Dispute Settlement**
  - Arbitration or courts



# Investment climate in Albania

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## AGENDA 2015 – Open for discussion

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1. **Licensing – merging of QKR/QKL as part of deregulation reform**
2. Starting and **closing a business**
3. Intellectual property
4. Taxes and incentives -
5. Legal base of FDI
6. Employment package
7. Corporate governance



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## AGENDA 2015 – Open for discussion

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- ✓ Date – of the next meeting of the Investment Council
- ✓ Topic – of discussion in the next meeting
- ✓ Deadline- for comments/suggestions on the Agenda of the IC for 2015

