

MEMORANDUM OF UNDERSTANDING

BETWEEN

GOVERNMENT OF ALBANIA

AND

**EUROPEAN BANK FOR RECONSTRUCTION AND
DEVELOPMENT**

IN RESPECT OF

**COOPERATION IN SUPPORT OF THE INVESTMENT CLIMATE
AND GOOD GOVERNANCE**

24 FEBRUARY 2014

MEMORANDUM OF UNDERSTANDING (hereinafter referred to as the "**Memorandum**") between the Government of Albania (hereinafter referred to as the "**Government**") and the European Bank for Reconstruction and Development (hereinafter referred to as the "**EBRD**"), hereinafter separately referred to as a "**Party**" and jointly referred to as the "**Parties**".

WHEREAS the EBRD has launched the Investment Climate and Good Governance Initiative ("**ICGGI**") to reenergise economic transition in a number of its countries of operations, including Albania;

WHEREAS as part of the ICGGI, the EBRD has envisioned a range of instruments which seek to improve policy dialogue between the private sector and government with a view to enhancing investment climate, to strengthening the legal framework and mechanisms of dispute resolution and to reducing informality and enhancing transparency in the corporate and banking sectors;

WHEREAS the Government has established a National Economic Council with broad responsibilities for analysing and discussing policy reforms related to economic performance and foreign and domestic investment; and

WHEREAS the Government has pledged to work with international institutions to tackle problems of corruption, informality in the economy and weaknesses in the business climate;

WHEREAS the EBRD and the Government signed a Letter of Intent on 20 November 2013 to explore together opportunities to cooperate in improving the investment climate and promoting good governance in Albania, in line with EBRD's purposes and functions and the Government's stated reform priorities.

The Parties have come to the following understanding:

I. PURPOSE

This Memorandum aims to provide a framework for cooperation between the EBRD and the Government in support of the National Economic Council ("**NEC**") and in line with the objectives of the ICGGI with the aim of improving the development of the private sector, strengthening the business and investment climate and promoting good governance.

II. COOPERATION

1. Role of the Government

The Government, within its competence and in accordance with the legislation of Albania, intends to:

- identify areas in which action by the Government and assistance by the EBRD may result in a significant improvement of the development of the private sector and of the business and investment climate in Albania;
- promote the activities envisioned under this Memorandum, including but not limited to the work of a dedicated Investment Council to support the NEC and the NEC

Secretariat (as set out in Annex 1 of this Memorandum), implement the measures suggested by the business community and decided at the Investment Council's meetings, and lead efforts to strengthen the rule of law, prevent corruption, reinforce mechanisms of dispute resolution, enhance transparency and address the issue of informality in the economy;

- work closely with the EBRD and other stakeholders on joint analysis and definition of possible ways to improve legislation, practices and other relevant areas aimed at fostering investment, both foreign and domestic, into the economy of Albania;
- take the necessary measures to identify and open up opportunities to attract foreign investment and galvanize domestic investments towards sectors with potential for developing and contributing to the economic development.

2. Role of the EBRD

The EBRD in accordance with its Strategy for Albania, as may be updated from time to time by its Board of Directors, with its ICGGI and with its other internal rules and procedures, intends to support, where relevant, the Government's implementation of its anti-corruption strategy as well as its efforts aimed at increasing investment and at improving the development of the private sector and of the business climate in general in Albania. In particular, the EBRD intends to:

- support the Government in its efforts to establish an Investment Council reporting to and providing support for the NEC and its Secretariat, including seeking funding from donors to be made available through the EBRD to the Government for financing the Secretariat of the Investment Council, participating actively in the work of the Investment Council, and supporting and overseeing the functioning of the Secretariat;
- further enhance its efforts to strengthen the rule of law and the functioning of the judiciary through institution building and judicial training;
- investigate best practice and provide advice and recommendations on ways to improve the functioning of the Albanian business registry (National Registration Centre) as one of the basic elements in the efforts of reducing levels of informality in the economy;
- mobilise technical assistance to assist the Government in designing and implementing an effective consumer credit bureau, building on existing institutions and strengthening their capacity to cover individuals and non-financial institutions data such as utilities;
- work closely with the Government in defining other areas where the EBRD can apply its experience and expertise to support the Government's efforts to stimulate the development of the private sector and of the business climate in general in Albania, for example by promoting good corporate governance and transparency in the corporate and banking sectors, working closely with the banking community, business associations and the Bank of Albania;
- establish a monitoring framework, in close cooperation with civil society and other relevant institutions, to track implementation and measure results from the interventions related to the ICGGI.

III. FINAL PROVISIONS

This Memorandum reflects the views and intentions of the Parties to co-operate on a non-exclusive basis, expressed in good faith but without the creation of any legal obligation or incurrence of any liability on the part of any of them. Nor shall any third party obtain any legal benefit from this Memorandum.

It is understood and agreed that nothing in this Memorandum shall constitute, or be construed as, an offer, promise or undertaking by either Party to finance all or part of any activity or project identified in or pursuant to this Memorandum.

Nothing in this Memorandum will limit the right of, or prevent the Parties from entering into memoranda or arrangements with other parties with respect to any activity, project or area of co-operation covered by this Memorandum.

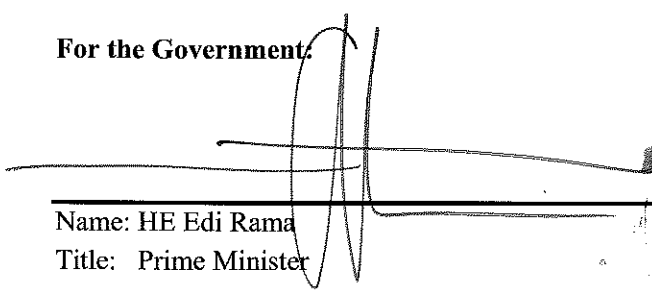
Nothing in this Memorandum will constitute nor be construed as a waiver, renunciation or other modification of any of the privileges, immunities and exemptions granted to the EBRD under the Agreement Establishing the European Bank for Reconstruction and Development, international conventions or any applicable laws.

Any dispute arising out of, or in connection with, the interpretation or application of any provision of this Memorandum of Understanding will be settled amicably through consultations.

This Memorandum of Understanding shall become effective on the date it is signed by both Parties. It may be amended by mutual written consent of the Parties. The Memorandum shall remain valid for a period of five years, after which time it may be reviewed and extended by mutual consent of the Parties. The activities envisioned in this Memorandum shall be phased in over time, starting with the establishment of an Investment Council. A periodic review of the implementation of the actions foreseen under this Memorandum shall be undertaken annually. Either Party may terminate this Memorandum of Understanding at any time by giving the other Party written notice to this effect no later than one month prior to the termination date.

Signed in London, on 24 February 2014 in two originals in the English language and two originals in the Albanian language. Should there be any discrepancy between the two language versions, the English version shall prevail.


For the Government:



Name: HE Edi Rama

Title: Prime Minister

For European Bank for Reconstruction and Development:



Name: Suma Chakrabarti

Title: President

ANNEX 1. THE CONCEPT OF AN INVESTMENT COUNCIL

1. Mandate

The mandate of the Investment Council should be defined in accordance with a Government Decision.

The Investment Council is to be established under the National Economic Council and the authority of the Prime Minister of Albania to act as an advisory body with the mission to facilitate dialogue between representatives of the business community and Government in an effort to develop a favourable, non-discriminatory, transparent and investment-friendly business environment.

2. Key functions

The Investment Council is established as an inclusive platform for high level dialogue between the Government, donors/IFIs and the business community, with the purpose of:

- promoting constructive dialogue and consensus-building on the necessary steps amongst the Government and private sector in addressing the most pressing issues for the development of the private sector and improving the business climate in general and fostering domestic and foreign investment;
- identifying the main impediments in the business environment in different sectors of the economy and formulating intervention strategies to achieve maximum impact;
- identifying main impediments to foreign direct investments and setting up a platform of objectives, incentives and mechanisms necessary to attract quality inward investments;
- develop methods that facilitate access to finance for both domestic and foreign investors;
- reviewing and evaluating draft legislation affecting business and proposing relevant changes to the legislative or regulatory framework to address impediments to starting, operating, growing or closing a business;
- reviewing, investigating and reporting on incidents of unfair treatment and abusive practices against business in order to facilitate business-related procedures;
- developing best practices in the prevention of and fight against corruption as it affects private business, while supporting the designing of relevant aspects of the National Strategy of the Fight against Corruption as an important milestone in this area;
- promoting dialogue in the fight against informality while reviewing and implementing best practices in reducing the grey area of the economy;
- facilitating the exchange of experience and best practices from other countries in the regulatory reform promotion process.

The Investment Council shall have no decision making power itself, yet on the basis of the deliberations and proposals of the Investment Council's members, the Prime Minister will make decisions, give indications to the line institutions, and initiate draft normative acts designed to improve the development of the private sector and of the business environment in general.

The Investment Council is not meant to replace the activity of any institution or Ministry, but rather to provide a platform for coordination and prioritisation of policies pursued by the State in the economic field, but also monitor the effectiveness of their activity.

3. Members

The Investment Council shall be composed of a maximum of 10-15 members, bringing together several groups of participants (stakeholders):

- State institutions, e.g., line ministries, Central Bank;
- Representatives of domestic and foreign business/banking associations;
- Donors and IFI representatives active in the field of private sector development.

The composition of the Investment Council shall be approved by the Prime Minister. The role of Chairman of the Investment Council shall be assumed by a senior Government official.

In addition to the permanent members, depending on the Investment Council's meeting agenda and topics/sectors discussed, additional experts, sector associations, state specialised institutions, representatives of the business community, etc. may be engaged in the activity of the Investment Council.

4. Secretariat

The routine activity of the Investment Council shall be coordinated by the Secretariat of the Investment Council, supported by the EBRD. The Secretariat must have no political affiliation. The head of Secretariat and its members shall not belong to any political party or organisation.

The Secretariat of the Investment Council, supporting the activities related to the National Economic Council and its Secretariat, shall:

- Develops the agenda for the meetings of the Investment Council, drawing as appropriate on proposals from members and with the approval of the Prime Minister;
- Coordinates the activity of the Investment Council, including preparation of meetings, drafting proposals for interventions, consultation with the business community, receiving and reporting on complaints from businesses; providing technical training sessions;
- Provides to the Prime Minister and Council members summary views and recommendations on the subjects from the Investment Council's agenda, in order to ensure high quality of decisions made within the Council;
- Steers the Investment Council's decisions implementation process, monitors/evaluates the results and assesses their impact and effectiveness on the business environment;
- Reports to the members of the Investment Council, and to the Prime Minister on the progress made;
- Maintains close communication with the members of the Investment Council with the state institutions, business community and civil society;
- Ensures sustainability and continuity of the Investment Council;
- In collaboration with the press service of the Government, shall inform the public about the activity of the Investment Council.

As a result of the deliberations within the Investment Council, the Prime Minister shall make decisions formalized (in the form of guidelines and dispositions), which shall be addressed to the institutions subordinated to the Government regarding any specific and concrete actions.

5. Meetings' Agenda

The process of setting the Investment Council agenda will be critical for the effectiveness of the work of the Investment Council to ensure that interventions well formulated, prepared and can achieve maximum impact. The Investment Council Secretariat, in collaboration with the Prime Minister's Office, the Council's members and the National Economic Council Secretariat, will set out a limited agenda of specific topics, targeted towards achieving maximum effect.

The agenda of the meetings of the Investment Council shall be announced in advance, and circulated to all members and other relevant parties.

The agenda may include technical sessions focused on a specific subject, based on a decision or initiative of the Investment Council, with the objective to develop clear recommendations from experts on ways to foster investment and advance the reform process. The technical sessions shall involve independent experts in the field, from state institutions, representatives of business associations, and/or representatives of donor organisations.

6. Key objectives

The Investment Council, guided by the Prime Minister and the Government reform programme, and with contributions from the business representatives and independent analysis of the business environment, shall work out a set of priorities, based on the Albanian government's priorities, for each year that the Council is in existence.