

SUMMARY OF MEETING MINUTES
INVESTMENT COUNCIL (IC)
MEETING XII

**Deregulation Reform: On the Functioning of the e-Permits Platform and
its Impact in the Improvement of the Investment Climate**

Tirana, 13 February 2018, 15h30 – 17h00

The meeting was held at the Ministry of Finance and Economy (MFE) and it was chaired by Mr Arben Ahmetaj, Minister of Finance and Economy. Present in the meeting were 13 IC Members. In addition, the meeting was attended by observers representing the business community, such as construction design firms, domestic and foreign business associations such as the Chamber of Commerce and Industry Tirana, DIHA, ICC Albania, ATTSO, representatives from the Municipalities of Tirana, Durrës, as well as representatives from institutions such as Ministry of Infrastructure and Energy, Territorial Development Agency (TDA), Territorial Planning National Agency (IPNA) etc.

I. Opening of the meeting

The IC Chair, Minister Arben Ahmetaj, welcomes the new IC Business Members as per annual rotation principle at the Investment Council. Minister Ahmetaj thanked the EBRD for the continuous support to the Investment Council in the improvement of the business climate in the Republic of Albania, highlighting that in almost 3 years, this Council has proved to be a responsible and mature institution in all the tackled subjects, either those entirely technical or those concerning economic policies, with recommendations which have been valuable and in most cases taken into consideration for the improvement of legal acts, procedures, or even laws such as in the case of the law for the administration of taxes, but also to push the government to do the right thing. Minister Ahmetaj informed the members that some previous findings of the Investment Council have been shared in details with the General Tax Directorate while other recommendations are being taken into consideration in the procedures for the improvement of VAT refund procedures. More specifically, in the framework of improving the tax procedures and speeding up the VAT refunds, Minister Ahmetaj informed that in 2017 there has been an increase by 56% of VAT refunds compared to 2016. Year 2016 was concluded with around 90 million dollars of refunds, while 2017 was concluded with around 140 million dollars of refunds.

The agenda of the present meeting of the Investment Council is in full harmony with this very important reform initiated by the Prime Minister, together with the ministries involved in the deregulation. Deregulation is considered by the Prime minister and the Government of Albania as an essential reform for the improvement of doing business in our country, to improve the daily life of citizens in the relations with the administration, to reduce at maximum red tape and of course eventually to save money and resources to the business.

II. Presentation by the Secretariat of Investment Council of the Analysis “On the Functioning of the e-Permits Platform” (Findings & Recommendations)

Ms Diana Leka, IC Secretariat, started a presentation with the object of the analysis, methodology and context, citing some main comments arrived at the Secretariat by the businesses, as well as main developments in the macro, legal, institutional, and regulatory framework with focus on the e-Permits platform.

Mr Elvis Zerva, IC Secretariat, continued with the presentation of relevant findings in 4 pillars: i) Legal, ii) Institutional, iii) Technical, iv) Other.

In the end of the presentation, Ms Leka thanked for the collaboration the companies and all institutions (TDA, NTPA, Ministries, Municipality of Tirana, Municipality of Durrës, Municipality of Korça, and Municipality of Shijaku). Minister Ahmetaj addressed a special thank note also to the former Deputy Prime Minister, Mr Niko Peleshi (currently Minister of Agriculture), for leading this work since one year ago.

III. Summary of the main comments raised during the Meeting

Ms Ledia Tota, TDA, thanked the Secretariat for the work done. Since its conception in 2015, the e-Permits platform has gone through a rather complicated period due to the lack of local development plans, re-organisation of local units (within the context of the Territorial Reform) and also because it came from an experience not documented in paper. Some of the findings of the analysis of the Secretariat (that deal with the legal aspects and coordination with local units) have been taken into consideration and are headed toward resolution in order for the platform to always remain a one-stop shop. However, in the framework of decentralisation and with respect to the rights of the local units, if these have special requests, those requests should yet be reflected within the e-Permits platform.

Ms Ines Muçostepa, Union of Chambers of Commerce and Industry (UCCIAL), informed that the findings of the Secretariat have been confirmed also by the UCCIAL Members, such as Builders Association of Tirana, and Builders Association of Albania. Ms Muçostepa greatly commended the presentation of the Secretariat as it represents all the encountered difficulties.

In addition, UCCIAL proposed the creation of the user manual for each municipality, for the interpretation of general local plans, which have been approved at large, but are still not clear. This manual might include the following elements:

- a) Regarding current practices of negative responses, in cases when some documents are missing - In this case there should not be a negative response, but should be requested the additional documentation.
- b) In this manual to be established clearly the criteria for obtaining construction permit for building an additional floor. To date, criteria vary from one municipality to another.
- c) In the application there should be added some sections such as: noterial declarations for the type of works, and insurance policies for professional licences.
- d) In the manual it should be stated clearly the criteria for carrying out works without a construction permit.
- e) In cases when the feedback is generated by the system after the deadline for providing a response, it should be generated a signed and stamp response, taking into consideration that the municipal police does not acknowledge those permits generated by the system after the deadline.

- f) It should be improved the uploading time of documents in the application as the current speed is very low and there are cases when hours are needed to upload a document.
- g) The provision of the response should be immediate.
- h) Provide a better mobile access at the e-Permits application, where receiving a response is made possible with a simple notification to mobile users.
- i) Notifications through the app should be also made for the requests for the renewal of licences in the new format.

As relates to the financial aspect, the Union of Chambers of Commerce and Industry of Albania proposes an average tariff at national level for infrastructure tax or urbanisation tax, as these vary substantially from one municipality to the other. In addition, it is proposed the average of the application fee to be at 0.1% of the investment value in the whole country.

Mr Edmond Spahiu, Alb-Star sh.p.k., recognised the undisputed benefits of the e-Permits platform, and said that to reach maximum efficiency there should be an increasing pressure from all the stakeholders involved in this platform, mainly from the state institutions or local government institutions which receive the applications for construction permits. Time remains the real challenge while the main purpose of this platform is to reduce the time of issuing a positive response, i.e. granting the permit. Statistics should be made over a selected sample of applications e.g. in 100 or 1,000 applications, to show how it has been respected the deadline of 45 days or 60 days in total for the granting of the construction permit. This would show if there is a maximum efficiency or if there are various justifications, especially for those which review the application. The sample should be extended geographically as there are differences in the efficiency of this platform in Tirana and other districts.

Ms Laura Qorlaze, IFC, asked in regards to the municipalities considered in the analysis of the Secretariat. Ms Diana Leka, Head of Secretariat, explained that the issues of the e-Permits platform were tackled in consultation with the Municipalities of Tirana, Durrës, Korça and Shijak (based also on the number of the construction permits issued at national level).

Note: Minister Arben Ahmetaj is replaced at this moment by Deputy Minister of Finance and Economy, Ms Albana Shkurta.

According to Mr Matteo Colangeli, EBRD, digitalizing the interaction between the business and the public administration is good for many reasons, including saving time for the business. A major benefit is increasing the transparency in the interaction between the business and public administration and reducing the scope for malpractice or corruption. This is a very important direction to be pursued and digitalizing the application process for construction permits is a very helpful measure in this sense. Mr Colangeli asked to what extend the new system has achieved realisation of applications which are relatively straightforward to go through without any physical or personal interaction with the public administration? Can a permit be obtained purely online or not yet? If not, what needs to be done to get there?

Ms Ledia Tota, TDA, in response to the issues raised by Mr Colangeli says that in regards to transparency, the application is carried out online while the applicant can check online also the progress of the application. Regarding the question on the readiness of the platform she confirmed that this has been reached as all institutions are now connected, in total 146 institutions. For example, in the case of application for a storehouse, the business should apply only for the technical project, all the feedback requested between the institutions, state to state, is dealt by the local units. The system contains several timelines and all the actions are carried out by the institution and not by the applicant. However, everything depends from the human

capacity and for this purpose, TDA is playing the role of supervisor of the system, checking all the local units, if the local units or institutions interconnected in the system, have responded based on the law or not. Afterwards, the process can be followed up through the administrative appeal.

Mr Tom Kristian Larsen, Devoll Hydropower, stated that first of all the platform of e-permits is a very good mechanism to increase the transparency and the efficiency of the process. The analysis of the Secretariat is very thorough and gives a real overview of the situation. Speaking from personal experience as a foreign investor, Mr Larsen said that some institutions are not fully incorporated on the electronic system yet such as the National Archaeologic Council and Cultural Monuments Institute, and for companies such as Devoll Hydroer and TAP which work a lot in the field, it constitutes an added complexity. Regarding the usage permits, the whole framework is lagging behind in practical terms. There is a big difference between very complex power projects in the energy sector and residential buildings, which are covered and addressed by the same system. However there has been a good collaboration with the institutions making things happen. Meanwhile there is an issue with the process of passing decisions in the Council of Ministers, especially for the legal groundwork. A typical example is the categorization of lands on which construction permits are requested, which has to be done through a decision of the Council of Ministers before granting the construction permit. This lengthens the process a lot and causes a lot of delays, while it could be done in parallel. Because of the changes in the government, and reorganisation of institutions there is a need for the institutions to re-apply in the e-system. Ideally, there should be no physical interaction with the institutions, and the government is working toward this.

Ms Ledia Tota, TDA, the process of deregulation has gone through several phases. Phase one has been the monitoring and identification of services by all the ministries. Phase two, already implemented, has been the identification of documents and certificates which are not requested to the business or individuals anymore. The Third Phase is the re-design or automation of some other types of documents and services which are demanded to the business or individuals when they apply for various services in institutions. At the same time, it is being worked on the part of legal acts or sub-legal acts which would make possible the implementation or application in practice of these changes. In the fourth phase, NAIS will work on the technical solution which would take a step further the digitalisation of services undertaken by the government. The process of deregulation is continuous, and will encompass more services.

With regard to complex construction permits, where it is being requested a secondary permit, in this case it could be NAC, IMI, or NWC, or Environmental Permits. The Government has taken the initiative that also the NWC, NAC, IMI, or Environmental Permits to be also included in the online process.

Mr Grigor Joti, Trade Union of Albania, stated that from the point view of a collaborator with the company which has worked on this process the digitalisation of a difficult manual process has been quite difficult. Always, for such cases of digitalisation, it is prepared a first version, which does not always fulfil well all the requirements. During the developing of the system, many issues came out which had to do with legal improvements, which after being executed, they were integrated also in the electronic system. Perhaps, the moment has arrived to conceptualise the second version of the e-permits platform and for this purpose he suggested to establish a working group to address these changes.

Ms Olga Anghelakis, EU Delegation, congratulates on the deregulation reform, and says that the e-Permits Platform is one of the recommendations of the ECOFIN Joint Council after examining the Economic Reform Program for Albania 2016-2019, and now concrete results are seen. This reform has also been shortlisted for the actual Economic Reform Program 2018-2020 that is

now presented to Brussels in order to reduce the regulatory burden to business. From the perspective of a donor or an investor of EU funds in the country, the construction permits are very much linked to another cross-cutting issue that is the availability of construction sites and property rights, and the transparency reform, and therefore any progress in this front is welcome.

Ms Albana Shkurta, Deputy Minister of Finance and Economy, follows with the next agenda item regarding the launching of the consultations for the new unified law of investments. As Chair of the Working Group, Ms Shkurta informed the Council on the progress of the project. There is a collaboration with IFC and currently the first draft has been received by the Ministry, which has been returned with some initial comments. The first consultation is on 15 February with the group of experts from IFC. Ms Shkurta informed that the draft will be further discussed with the group of interest, through a consultation process. The Secretariat will support with the consultation process and the draft will be introduced in the upcoming meeting of Investment Council, before moving to the next phase.

Ms Laura Qorlaze, IFC, informs on the calendar of consultations. Within February will be held the meeting of the working group and perhaps also a workshop with IFC experts for the facilitation of discussions. In April, the draft will be launched for public consultation with the businesses, which will be done through the Investment Council. In May it is aimed to have the draft passed in the Council of Ministers for approval and in June to pass it to the parliament for endorsement. This project started by IFC since 2015 and will continue until 2019, with the support of the State Secretariat of Switzerland for Economic Issues. Besides the investment policy, this is the final product of this chain. In addition, it has been worked also about the business rules as well as free access to the market with a focus on customs procedures. As relates to the business rules, in the framework of a study, the IFC has prepared a mapping of all the procedures, permits, authorisations with a focus on fruits and vegetables. This belongs also to the deregulation initiative.

Ms Diana Leka, Secretariat, gives an overview on the status of previous recommendations of IC with focus on Tax Inspection, VAT Refund, Risk Analysis, Information to Farmers, Public Consultation, concentrating mainly at the positive steps being taken in the sector of agriculture where there is an ever-growing interest for investment.

Some recommendations still unrealised remain “*Simplification of the compensation scheme of VAT for farmers*”, “*Publication of the Regulation for the VAT Refund*”, “*Completion of the framework with a Decision of Council of Ministers for procedures that should be followed for the adequate implementation of recommendations left from reports of the State Supreme Audit Institutions*”, etc.

IV. Closing of the meeting – The next subject of the Investment Council will be “Consultation of Draft Unified Law of Investment” in May 2018.

The meeting was closed at 17h00.

List of participation

Representatives from the Government

1. Mr Arben Ahmetaj, IC Chair/Minister of Finance and Economy, replaced in the half meeting by Deputy Minister of Finance and Economy, Ms Albana Shkurta
2. Ms Belinda Ikonomi, General Customs Director
3. Mr Xhavit Curri, Deputy General Tax Director, in the absence of Ms Vasilika Vjero, General Tax Director

Business Community

1. Mr Edmond Spahiu, CEO, Alb-Star Sh.p.k.
2. Mr Isuf Ferra, CEO, Ferraco
3. Mr Tom Kristian Larsen, Country Manager, Devoll Hydropower
4. Ms Marinela Jazoj, Executive Director of FIAA, in the absence of Mr Silvio Pedrazzi, President of FIAA
5. Ms Ines Muçostepa, Chair of Union of Chambers of Trade and Industry (UCCIAL)
6. Mr Grigor Joti, Chair of the Association of Trade Union of Albania

International Partners

1. Mr Matteo Colangeli, Head of EBRD RO in Albania
2. Ms Olga Anghelakis, Head of Operations Section II, European Delegation in Albania
3. Ms Laura Qorlaze, Representative of IFC in Albania
4. Ms Hilda Shijaku, Economist at the World Bank in Albania

Not attended:

1. Ms Natasha Ahmetaj, Deputy Governor of Bank of Albania
2. Ms Brisida Shehaj, Executive Director, AIDA