

Albania Investment Council

PRIVATE SECTOR CONCERNS TACKLED DURING 2018

In line with the voting results of subjects to be tackled by the Investment Council, the following agenda items were part of IC meetings during 2018:

1. *e-Platform on Construction Permits and its Impact in the Improvement of the Investment Climate*
2. *Legal Framework on Investments in Albania, Current Debates and Challenges*
3. *On the Formalization and Competitiveness in Tourism*

Is the e-Permits platform a single-window service for the business?

The electronic platform on Construction Permits was launched by the Albanian Government as an instrument to facilitate procedures and enhance transparency for the public, in the framework of the Deregulation Reform. The objective of the IC meeting held on 13 February 2018 was to elaborate an assessment on the functioning of the e-Permits platform and its impact in the facilitation of the construction procedures for the investors.



The Secretariat included in its analysis comprehensive opinions and suggestions of about 66 professionals aiming to tackle legal & regulatory, institutional and technical issues of concern for the users of the platform (investors, architects, urbanists, municipalities, government agencies etc.). The findings and recommendations of the analysis aimed to provide clarity and answers to the questions:

- Is the e-Permits platform a single-window service?
- Has it disciplined the application and evaluation procedures considering the deadlines, the required procedures and documents?
- Has the platform promoted efficient institutional coordination?

MAIN RECOMMENDATIONS

- Preparation by the Ministry of Infrastructure and Energy (MIE)/Territory Development Agency (TDA) of a *detailed operational, technical and legal manual* as an Instruction for all the users. The manual should be made available to all platform users, in particular Municipalities, and AIDA should promote the platform's one-stop-shop services to potential investors.
- *Suspension of the functioning of the platform*, when necessary, should be made only on a legal basis.
- *Unification of the tariffs* for the application of construction permits in the e-Permits platform.
- *Continuous training and qualification* of the human resources directly involved in the approval procedures of the construction permits via e-permits platform. Consolidation of dedicated structures only for this process.
- *Raising awareness* on the decision-making for applications through the platform enabling structured hearing sessions with the applicants, according to the provisions of the Administrative Procedures Code.
- *TDA* should be provided by the legislation with the attributes of the legal and technical *administrator* of e-Permits Platform.

Is the current legal framework on investments motivating and 'easily applicable' for the investors?

The approval of the Unified Law on Investments is a commitment taken by the Albanian Government to replace the Law 'On Foreign Investments' (1993) and Law 'On Strategic Investments' (2015), as

included also in the Regional Investment Reform Agenda (RIRA).

A big consultation roundtable was held on 23 May 2018, in close cooperation with IFC experts and Ministry of Finance and Economy and the Office of the Minister of State for the Protection of Entrepreneurship. The meeting was attended by over 60 participants *representing* foreign and local businesses and their associations. Discussions were held on best international practices and challenges for a contemporary legal framework on investmentso, focusing on improving investment legislation, incentives, and investor grievance mechanisms (IGMs). The participants emphasised the role of state IGMs as very important, but underlined that such mechanisms should not overlap with administrative appeal structures that are currently in place.

The objective of the IC Meeting held on 18 June 2018 was to present and highlight main findings from the process of discussions with stakeholders on the need for a unified law on investments.



In the Background Paper prepared by the Secretariat, which included as well an overview on some IGM models, focus was given to the following issues:

- *Is the current legal framework harmonized with the recommendations of best international practices like UNCTAD recommendations?*
- *Is this framework motivating and 'easily applicable' for the local and foreign investors that choose Albania as a destination for new investments?*

MAIN CONCLUSIONS

- ***A new unified investment law could bring a new image to the country*** by creating a stronger law, greater compliance with regional policies and Bilateral Investment Treaties (BITs) provisions.
- Government's vision on investment policies is conditioned by the well-functioning of ***stable and trustworthy institutions***.
- ***Investor Grievance Mechanisms*** are very important for identifying systemic issues, raising awareness, and finding mutual solutions with no cost.
- ***Incentives should be measurable and easily implementable and accessible*** by investors.
- There should exist ***no differences between foreign and domestic investors***. It is important for investors of all categories (small, medium, big) to be equally protected.

At which degree informality hampers competitiveness in the tourism sector?

The objective of the IC Meeting held on 15 October 2018 was to discuss the degree to which competitiveness of the tourism sector is hampered by informal activity and tax evasion, and proposing potential recommendations that could address such concerns.

The Secretariat's analysis tempted to identify fiscal, legal and regulatory measures, necessary to address sector's high informality, and their alignment with the general framework of policies and strategies for the development of the sector. A nationwide survey was conducted as a source of primary information (with 157 companies from the sector), followed by three regional consultation meetings in Durrës, Gjirokastër and Korça with 65 businesses operating in the tourism sector, and a focus group meeting in Tirana with the participation of 20 stakeholders.



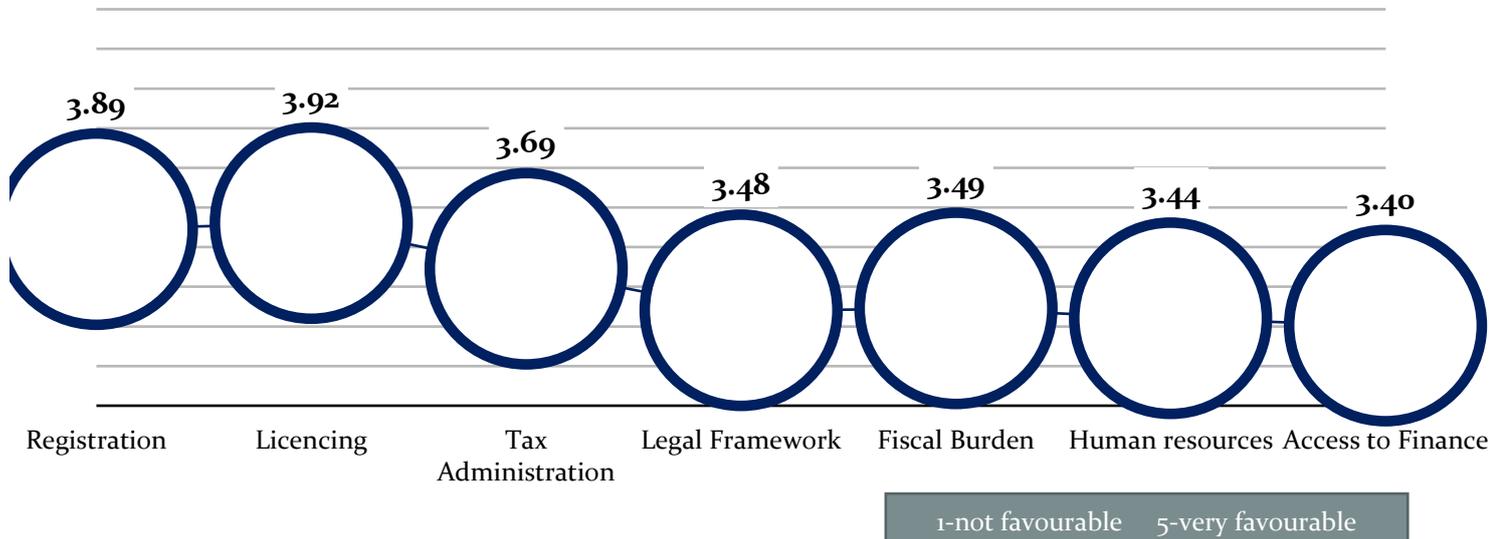
- The business model and features of informality are different for each typology of the tourist destination. Considering that informality in the sector remains systemic it is suggested that *formalization strategies could be tailored accordingly as per business model and tourism profile of the city.*
- *Identification and registration of accommodation structures* could be finalized with a simple labelling of formal operators in the tourism sector - which states that the operator is recognized as registered operators that regularly pay tax and tariffs. This is a preliminary step until the National Register is consolidated.
- *Education and information programmes for the business on formalisation should be coordinated and developed for the tax administration and inspectorates*, the latter one monitoring the conformity of the market on a permanent basis. This could be implemented on a regular basis and not only during the tourist season because actions during the high season have had a negative impact on business activity and tourist's perception.

MAIN RECOMMENDATIONS

- *Finalization and approval of the Strategy of Tourism* - aligning the objectives between Ministry of Tourism and Environment and Ministry of Finance and Economy with regard to the actions, concrete measures and responsible agencies to tackle informality in the sector. More concretely, clear formalization milestones should be defined to meet the objective of the draft-strategy on tourism: "registration of 80% of family accommodation (rooms, apartments, houses) by 2022." Concrete actions and methods that address formalization issues (identification and registration), could make the strategy's objective realistic.

Secretariat's analysis confirmed that what affects significantly the impact of any tax policy on informality is the soft side of informality measures - professional inspectors, clear and very accurate reporting from any inspection and information sharing between tax authorities and businesses.

2018 IC Survey – Business Perception on the Investment Climate in Tourism



IC MEMBERSHIP DURING 2018

Member, State Institution	Ministry of Finance and Economy
Member, State Institution	Bank of Albania
Member, State Institution	General Tax Directorate
Member, State Institution	General Customs Directorate
Member, State Institution	Albanian Investment Development Agency (AIDA)
Member, Development Partner	World Bank
Member, Development Partner	EU Delegation in Albania
Member, Development Partner	European Bank for Reconstruction and Development (EBRD)
Member, Development Partner	International Finance Corporation (IFC)
Member, Business	Albstar Shpk
Member, Business	Ferra Co
Member, Business	BKT
Member, Business	Foreign Investors Association of Albania (FIAA)
Non-Permanent Member, Business	Union of Chambers of Commerce and Industry (UCCIAL)
Non-Permanent Member, Business	Albanian Commercial Union (BTSH)

Key Numbers during 2018

Plenary IC Meetings	3
Approved Recommendations	33
Interviews and face-to-face meetings	61 stakeholders
3 Regional Meetings	65 companies
1 Focus Group Meeting	20 participants
1 Consultation Roundtable	64 participants
2018 IC Survey	357 respondents nationwide
Participation rate in IC Meetings	89%
Submission of IC Recommendations	40 institutions/embassies

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