

ECONOMIC RECOVERY

Post-COVID-19

SECRETARIAT OF INVESTMENT COUNCIL
Tirana, 5 JUNE 2020

CONTENT

- I. OBJECT AND METHODOLOGY
- II. CONTEXT
- III. RECOMMENDATIONS

ISSUE: Some milestones on ECONOMIC RECOVERY

1. Horizontal Approach

What could be the concrete interventions or priority reforms at the policy level on the basis of which the economy can flourish in the medium / long term?

2. Sectorial Approach

Prioritization of measures and concrete sectoral interventions, with a focus - the real possibility of expanding the chain of operations in Albania to meet sectoral requirements

3. Employment challenges etc.

OBJECTIVE

Potentials and Economic Recovery Focus:

- ☐ **UNIQUE challenges of the Albanian economy facing the earthquake and pandemic COVID-19**
- ☐ **Private sector recommendations on key pillars based on the reforms and priority sectors**

Desk-research

- **Assessments on the economic challenges of Albania and the region, based on national and international reports**
- **Consultation and monitoring of relevant legal and sub-legal acts**
- **Regional Matrix of the Balkan countries & Albania**

Consultations and Focus Groups

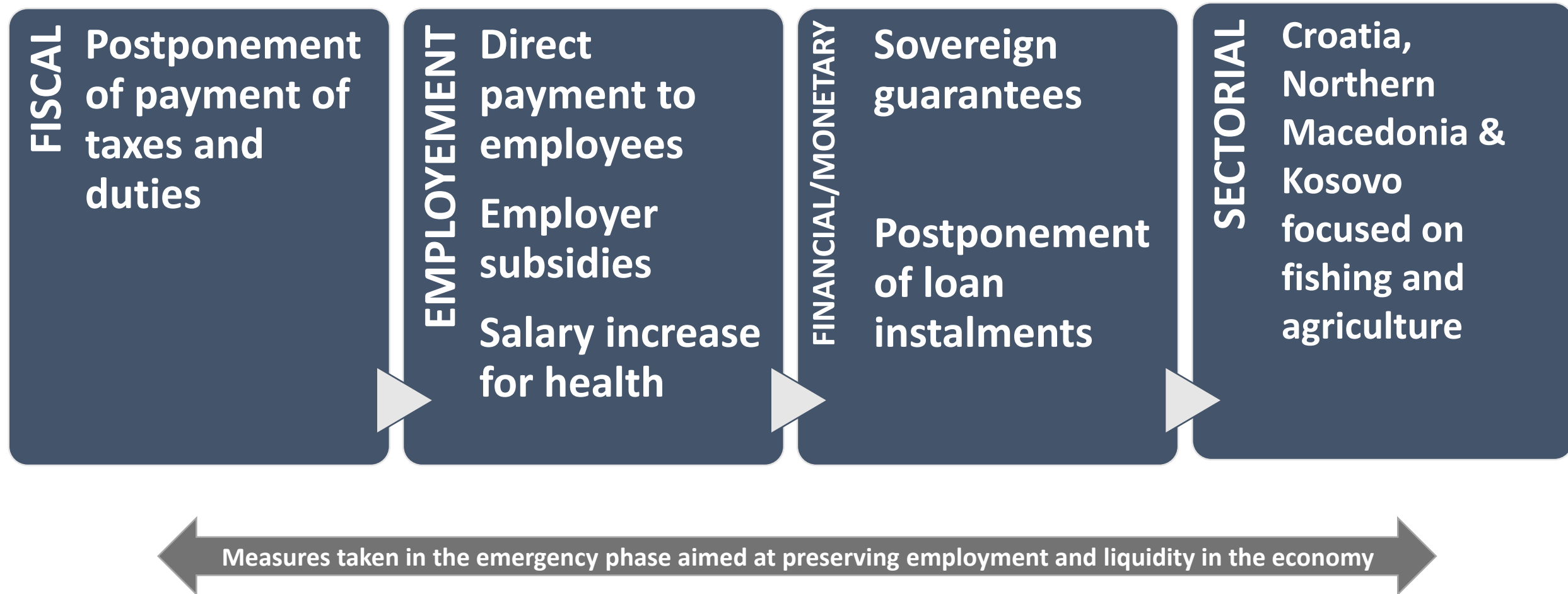
- **Pre-structured questionnaire addressed to IC members and partners**
- **IC Secretariat survey in collaboration with MFE**
- **Technical Level Meetings in cooperation with MFE, MARD and MEI based on the grouping of issues and suggestions**

II.CONTEXT: CHALLENGES – INTERNATIONAL REPORTS

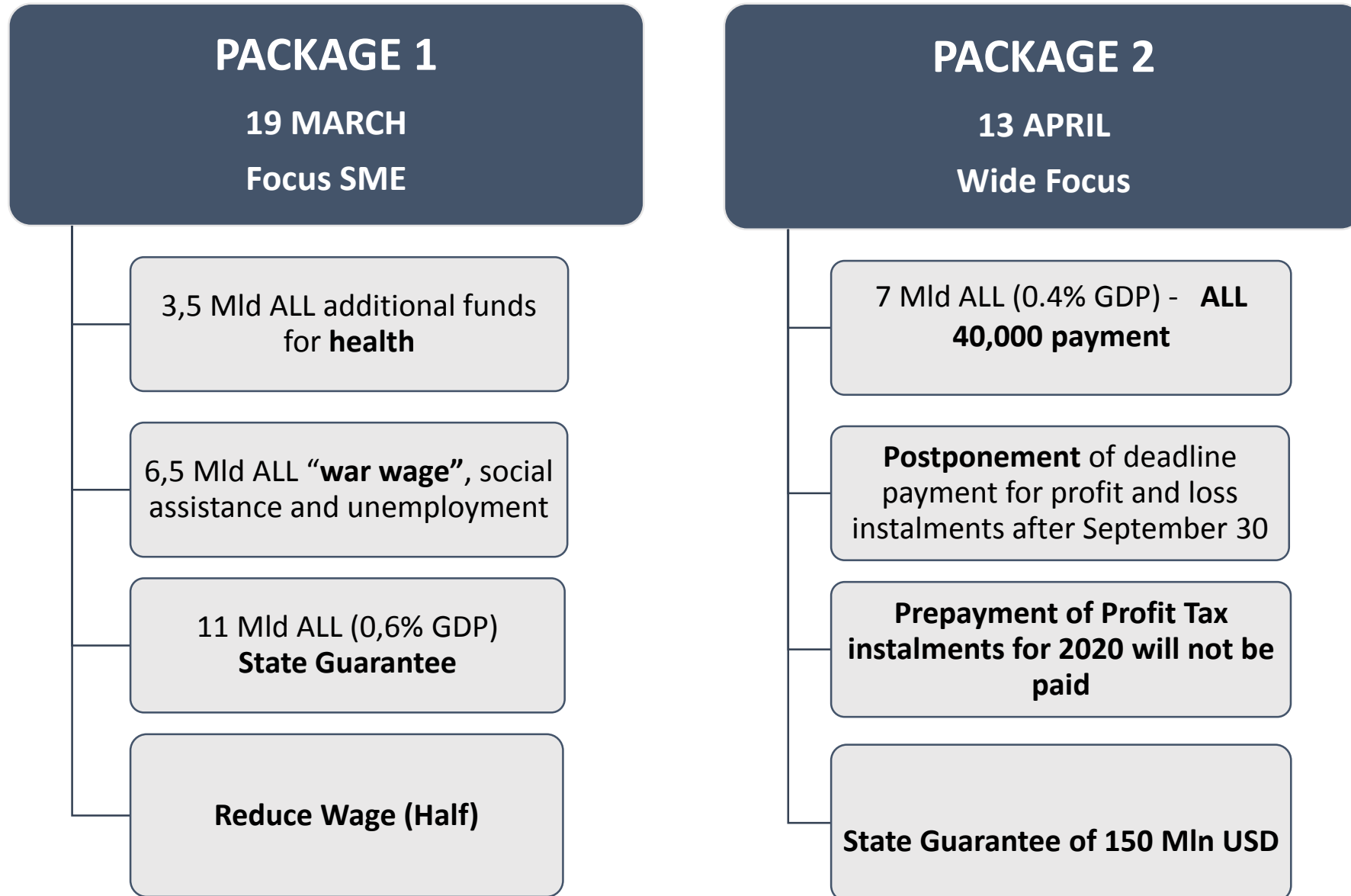
Economic Growth forecast range from -5% according to the WB to -9% according to the EBRD while there is an agreement on:

- ***Impact on sectors** where production and tourism will be the most impacted with most reduction in employment.*
- ***Unique challenges** Albanian economy is facing after the strong earthquake of 2019 with an impact of 7.5% of GDP (report of Albanian government in collaboration with UN, EU, BB).*
- ***Expected Economic Recession***

II. CONTEXT: Comparison



II. CONTEXT: FINANCIAL PACKAGE - ALBANIA



III. FINDINGS – COVID - 19 IC SURVEY

IMPACT

- COVID19 has affected each sector of the Albanian economy, particularly Tourism
- Covid-19 forced almost half of the Albanian economy to shut down, except Agriculture
- Despite size or sector, most of companies expect more than 20 percent reduction in annual turnover.
- Regardless of the sector or size, businesses estimate that the impact of COVID-19 on the economy will last up to a year

CHALLENGES

- Seriously challenged continuity of the business - in future own resources and layoffs
- Unprepared for human resource management – lay offs, regular leave, work from home
- Importers are considering finding new sources for raw materials in the country
- Companies without risk and emergency management approved plans

INNOVATION

- COVID19 made companies aware about the effectiveness of using online services
- Changed investment plans towards new technologies, strengthening sales channels, risk management

SUPPORTIVE MEASURES

- Government support and cooperation are irreplaceable factors in dealing with unfamiliar situations to ensure business continuity
- Salary payment, postponement of loans and sovereign guarantee

III. IC FINDINGS: PRIORITY REFORMS AT POLITICAL LEVEL (HORIZONTAL APPROACH)



ALBANIA - THE GATEWAY TO BALKAN

- *Creating a marketing strategy “Albania-The Gateway to the Balkans” (National Chamber of Diaspora) and an efficient and concrete package for the FDIs incentivising*
- *Design a list of all industrial facilities that have not yet been privatized, where to possibly attract foreign investors.*
- *Develop an incentive plan to attract new investment in areas where there is human potential but lack of jobs.*
- *Shorten the procedures for making investments i.e. number of steps and duration to finalize investments, aiming increase of competitiveness in the region*
- *Coordination with diaspora and transparency of the public investment plans*
- *Accelerate the resolving of land ownership issues in the priority areas*

III. IC SUGGESTIONS: PRIORITY REFORMS AT POLITICAL LEVEL (HORIZONTAL APPROACH)



LEGAL FRAMEWORK

FISCAL REFORM

- Accelerating Justice Reform - Guarantee for Foreign Investors and Contract Enforcement
- Designing a fiscal reform that promotes competitiveness, adopting a medium-term revenue strategy as soon as possible, with a special focus on “tax expenditures”
- Transparent procedure for assessing all investments that include public funds
- Design and application of a scalable taxation system on asset and balance sheet value
- Complete performance review for all concession agreements for national property granted by concession

III. IC SUGESSTIONS: PRIORITY REFORMS AT POLITICAL LEVEL (HORIZONTAL APPROACH)



INFORMALITY

LIQUIDITY

- *Long term strategy for the informality reduction aiming the unfair competition avoidance and focus on electronic payments*
- *Establish a guarantee fund for lending to priority economic sectors*
- *Establishment of a development bank with capital injected by the government, other investments and with the monetary measure obtained from the application of a full money amnesty*
- *To incentivize businesses that turn to the capital market to seek funding by listing on the stock exchange*

III. IC SUGESSTIONS: PRIORITY REFORMS IN POLITIC, LEVEL (HORIZONTAL APPROACH)



WORKFORCE ALBANIAN PRODUCTS

- *Incentivize Exports and Products Made in Albania and Promotion of a fast economic cooperation with Kosovo*
- *Promoting the country as an attractive destination for investment and processing industry, very close to the markets of EU countries*
- *Timely harmonization between the needs for labor in the most priority sectors with stimulating measures for the orientation of vocational education of young people and the training of the workforce*
- *Taking short-term measures to maintain the employment rate using short-term employment schemes*

A - RECOMMENDATIONS- AGROPROCESSING



Highlight 3 specific products with potencial to be processed in house, labeled as an Albanian brand and to be exported

Cost- Benefit analysis for the state budget and the farmers, in relation to the oil price subsidizing

Timely updating and transparency regarding the completion of the agricultural land map

Negotiations for the inclusion of all farmers in IPARD3

Supervision of agricultural pharmacies / restriction of uncontrolled and dangerous use of pesticides / informality

Analyze the forms of organization of farmers so that they can facilitate access to funding for certain categories

B - RECOMMENDATIONS - TOURISM



Diversification of tourist offer, through integration in wider (global) tourist chains

Incentivize the sector in terms of extending the tourist season

Quality of service in tourism. It would be effective a regulatory requirement on the part of the state licensing agency, mandatory to allow entry into the industry

Timely harmonization, transparency and consultation of local and national plans for public investment in infrastructure in the tourism

Implementation of the "travel bubble" initiative, which consists of opening the borders between the countries of the Western Balkans, excluding the obligation of 14-day quarantine

C – RECOMMENDATION - INNOVATION & ICT



Prioritize digitalization and accelerate national broadband coverage with broadband and Cloud platform security

Clarification / harmonization of national statistical data referring to the level of use and accessibility in ICT by businesses

To open debates on financing models (eg Kosovo) of government-business cooperation-international partners on investment costs in the sector

Increasing the access of SMEs to ICT, through the drafting of specific government policies focusing on the specific needs of SMEs

Stimulating the exposure of the population to ICT potentials through collaborations with businesses to subsidize the costs of digital equipment

Creating an online government platform (eg Albania Digital Solidarity) listing companies that offer such online services at reduced or free prices (as in Poland / Italy)

Utilizing the potentials offered by TEDA free economic zones



The Government's medium-term interventions should focus on the sectors most affected by COV19. What reforms are suggested to remain a policy priority? Employment? Energy?

Could it be a unique moment to attract special markets in the context of delocalization? What can be the chances for increasing the competitiveness of Albanian products? What interventions are needed to consolidate SME technology support?

Should transparency be made in advance on the progress of concessions on national assets and further a strategy? How to maximize the potential with a focus on the country's image, informality, increased access to finance, labor preparation?

ALBANIA – GATEWAY IN THE BALKANS

How advanced are we against instruments that facilitated not only doing business in the country (eg online payments, technology) but also social aspects during COVID-19?

THANK YOU!
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