

**SUMMARY OF MEETING MINUTES**  
**INVESTMENT COUNCIL (IC)**  
**MEETING XX**

**“Challenges faced by the Business in the Context of COVID-19 Pandemic and  
Measures Taken by the Government”**

**Tirana, 14 April 2020, 15:00 – 17:00**

The meeting was held in the form of a video conference and it was chaired by the Minister of Finance and Economy, Ms Anila Denaj. The meeting was attended by all its seventeen members of IC (full participation) and about 30 observers - representatives of local and foreign business associations and state institutions as well as representatives of Foreign Agencies in Albania. This extraordinary meeting was convened by the Minister of Finance and Economy, following the request for the development of a survey by the Investment Council on the impact assessment of COVID-19 pandemic on the business in Albania.

**I. Opening of the Meeting by Minister Anila Denaj, IC Chair**

At the opening of the Investment Council Meeting, Minister Anila Denaj said that the objective of this extraordinary meeting was communication between the parties in the format of the Investment Council, already a permanent platform for dialogue between business and government, on topics of persistent concern, especially to the business.

Referring to the survey, conducted online with around 360 businesses, the Minister said that this significant number of participating companies shows the interest to participate in the dialogue with the government, adding that the results of the survey show that businesses generally appreciate positively the measures taken so far by the government.

**II. Presentation of the Secretariat of the Investment Council on Survey Findings**

Ms Diana Leka, IC Secretariat, gave a brief presentation on the Survey's main findings and suggestions prepared by the IC Secretariat and distributed electronically to all members in advance prior to the meeting. The sample is considered as representative and from all over Albania have participated in it, while the added value of this survey is that it comes at the right time in the context of a global crisis.

**III. Summary of main comments**

Minister Eduard Shalsi, MSPE, said that the contact with the business has never been as close as presently. In the past 5 years, there have been around 1,341 direct contacts with the business from the Ministry of State for Protection of Entrepreneurship (MSPE) alone. The current demands reported by the IC and various business associations in the context of the crisis have in some common parts but also some differences between them. The second financial package has addressed some of the business issues, based on some really interesting analysis by some interest groups. In just one day since the launch of this package, the comments seem to be positive. However, we are not yet able to provide an answer to every question. Currently, two battles are

being fought at the same time: i) the one dealing with the citizens' health and ii) the one dealing with the economic aspect, which do not necessarily converge with each other. Surveys conducted by IC, MSPE and several other associations have enabled creation of a general view of issues, which the government has tried to address in this second financial package, taking as a reference not only the countries of the region but also of Europe.

Dr. Constantin Von Ahvensleben, FLAA, raised some issues as follows:

- Full support for 8 points submitted by UCCIAL. The FIAA thinks that a *gradual start of the economy is the best possible "cure" for all affected entities*, and reassuming of work in all sectors will be oxygen of fresh air for the country's economy;
- The main concern of the FLAA has to do with the financial situation of many employers. As of March 2020, many sectors are completely closed, and most of them are already without workers. No employer is able to predict the situation in the future, therefore salaries cannot be paid in full. FIAA suggests to the Albanian government to take financial measures, as being applied by the European countries, where for a 3-month period businesses are paid 30% of their employees' salaries, which is usually equal to the social insurance amount;
- Tax payment is based on the profit of the previous year, but this creates difficulties even though the payment of taxes has been postponed. For most businesses, 2019 has been a successful year, but by 2020, revenues have been significantly reduced since mid-March. Therefore, some help in this regard would be very valuable;
- Also, the volume of sovereign guarantee seems very tight to cover the needs for longer guarantees;
- Air traffic is extremely important for the economy to move forward, as it affects other sectors such as hospitality and accommodation. The reassuming of air traffic should be done with the utmost care not to re-import the virus, demanding not only the will of the Albanian government, but also of those from the other countries. The opening of Rinas Airport will mark a great moment for the entire Albanian economy.
- The tourism, accommodation and air trafficking industries would be greatly supported if the Albanian government considered for a 1.5-year period (until October 2021), abolishing of the EUR 10 passenger's tax, which would remove from these industries a heavy financial burden and it would help the recovery of the whole economy.

Mr Enio Jao, AmCham, thanked for the organization of this meeting, although perhaps it should have been taken place before the launching of the second financial package. Still, business associations need to review the official document of this second financial package announced the day before, as several different interpretations have been observed. During this period, AmCham has been very concerned about the impact of the situation on the economy in general, but also on its members in particular. Strict measures regarding social distancing have had positive effects on the health of the population, but they have been very penalizing for the business.

- AmCham's main concern is related to unemployment and the effect of unemployment on its members. Unemployment statistics are usually issued 3 months later and they may still be far from the real number. For this reason, AmCham has asked its members a quick survey to understand the true number of unemployment among them and their plans for the coming weeks.
- **Some positive developments in the second financial package:** i) Postponement of tax payments has also been one of the main demands of business, ii) covering of unemployment payments, which apparently have expanded in this package, iii) addressing the lack of liquidity for some businesses, mainly of those interested in retaining their employees.
- Differentiation between small and large businesses is not very helpful in this period because employees are equally affected by the situation.

- Supported the comment raised by the FIAA that the guarantee fund might be a little too tight to cover all the existing needs, but it is necessary to see all the details of package II to comment more accurately.

Ms Ines Muçostepa, UCCIAL, said that this meeting comes at a good time to also discuss the second economic package announced by the Prime Minister.

- There was a real debate about the economic measures of the first package and expectations for the second package. The first package was considered as a relatively social and somewhat limited strategy, making a distinction between small, medium and large business, while businesses should be in the same band without division of category A and B. There have been objections regarding the way of conceptualizing the loan contract in the first package, we see that in the second package there is a change because the part of the “objective” is changed, already extending to three sectors which have really felt the crisis. We had proposed that the costs of using these loans be shared between the state and the bank, and now we expect to see it formally concretized.
- Non-inclusion of other sectors (e.g. transport, agro, etc.) in the second package in terms of credit. The agro sector is expected to have serious problems soon, while the transport sector is completely blocked with a DCM.
- A major issue is that of the employees who are still on the payroll of businesses at a pretty high cost and expected to be considered in this package. We had proposed that the state covered the minimum wage of employees so that companies would still keep employees on the payroll.
- We have sought to provide support to any business without division in bands and categories; to achieve a social impact to help all closed companies or those that continue to operate.
- The business still requests to defer payment of fiscal obligations. Meanwhile, the request for postponement of profit tax has been accepted, as we wait for information on the procedure.
- Together let us strengthen at this moment the production/consuming/tourism “Made in Albania”. Awareness campaigns are needed to undertake this initiative.
- Donations to be recognized as deductible expenses, for all those companies that at this moment are in solidarity with Albania and supporting that part of people in need.

Mr Nikolin Jaka, CCI Tirana, supported the initiative undertaken by MFE and IC in the frame of this survey. The Albanian chambers of commerce and business associations are unified under the umbrella of the Union of Chambers of Commerce, to which we have sent a package with 8 points following a 2-week work in observing all the problems that the private companies have and in specific sectors. In the presentation of the second package, it seems that very few things are included. We do not give up our requests unless we sit in dialogue, perhaps organized in this format as well, so that all points are reviewed one by one. Private enterprise today is a national asset. Referring to the second package, adjustments can still be made before the normative act is issued, which will detail the allocations of the recently presented financial package. In this context, he proposed:

1. Inclusion of the transport sector;
2. The postponement of payment deadlines until September should be determined not on a sectoral basis, but on the basis of a decrease in turnover, i.e. all companies that have a decline of more than 20% in revenue compared to January and February;
3. Businesses that have a revenue decrease of more than 30% from March of last year compared to January and February, should be compensated at least 50% - 80% of employees’ salaries.
4. Local and central government should postpone fiscal obligations (a finding also of the survey), and also respect contracts for public works that are in operation.

5. The second package has many drawbacks, therefore a new package is needed, similar at least to the ones applied in the region.

Business associations and chambers of commerce in cooperation with the central institutions to find the right mechanisms, while international organizations to provide donations and funding as per business needs. There are around 43,000 companies with a turnover of over 14 million ALL per year. Only 1,000 companies are large (VIP), out of which not more than 300 can cope with the situation for 3 to 4 months. All the rest, 42,700 companies are in the most fragile moments of their existence.

Ms Linda Shomo, Easy Pay, focused on the findings of the IC Survey, making reference to the business responses regarding technology:

1. Regarding the findings on the use of online services, 83% of businesses have managed to use online services while 77% would like to use them in the future – an interpretation is needed to understand what the business refers to the use of online services, as the meaning for online is very broad. The idea is to understand how much digitalized the companies are and what they understand with this, what categories of government electronic services they have used, or if they refer to e-banking services. Findings in this regard will be of interest to the ecosystem in the field of digitalization and technology.
2. In the context of government services, it should be identified which are the most used services because these services are already an additional trend for both business and government. Understanding the services used, we can think about the use of digital services in the future.
3. The finding stating that 87% of businesses do not have a "business continuity plan" is significant. This is directly related to risk management and the figure is alarming; one must understand what the reasons are and what can be done to focus efforts for improvement.
4. 42% of businesses say they will become oriented to e-services, while elsewhere it is said that 77% would like to use them. These figures are very optimistic, but they need some clarification.
5. What are the considerations with regard to unemployment? The crisis will increase it. This unemployment can come from internal factors (company's lay-offs) and from external factors (crisis in other countries). The crisis abroad could bring many diaspora and immigrants back to Albania. What will happen to them? Funds allocated by the government should be planned not only for the emergency situation, but also for the well-being of the people's mind. Young people should stay in Albania and there should be no emigration flows. Let us take advantage of the moment for their digital training.
6. Incentives for digital transfer. Congratulated the Bank of Albania on the decision to abolish the commissions for local bank transfers within the country - a positive initiative that has greatly increased the use of e-banking services. But we have noticed that some banks apply transfer fees within the bank, which does not make much sense. This should also be considered as a way to help the business. Good management of the situation is very important and we should not miss this moment.

Mr Mirush Bejko, Agrotech, said that the agriculture and livestock sector is very delicate due to the seasonality factors, which cannot be reversed. This sector has responded well to the market demands without suspending activity and not abusing with prices. He raised some concerns as below:

1. The rising price of raw materials (input), corn, wheat, soybeans, etc. In addition, there has been an increase in the euro exchange rate from 3% to 5%. This increase will have a negative impact on the agribusiness and livestock chain;
2. The agriculture & livestock sector supports the measures taken in the respective packages, but it is necessary to think about the objectives and measures in the long run, as the consequences will stay for a long period. Suggestions have been made in the IC survey;

3. Requirements as an agribusiness:
  - For local taxes - local taxes are paid for buildings, silos, and stables as per hotels, business centers, and pharmaceutical warehouses. This is unfavorable;
  - Subsidies at minimum at the same level as those of the countries in the region for the livestock sector (for poultry meat). For example, in Northern Macedonia the support and subsidies provided by the government are several times higher than those in Albania;
4. Readiness for further discussions in the future to detail sector's proposals.

Mr Matteo Colangeli, EBRD, said that liquidity measures for business are clearly the immediate priority, also with a view to protecting employment. In this respect, he highlighted the importance of three aspects:

1. Need for accurate communication on measures and related timeline to funds availability so that businesses can have full visibility on what is to come and when.
2. The importance of coordination between support packages and existing initiatives to strengthen access to finance for businesses. For example, the risk-sharing program that the Government already has in place with the EBRD and a number of local banks for the agribusiness sector should be extended to the tourism sector, with the support of the EU.
3. Those businesses that are able to pay, to meet their liabilities timely, should be encouraged to do so with appropriate incentives being deployed.

Looking further ahead, this crisis will bring along new opportunities. Global supply chains will shorten and many European manufacturers are likely to bring production closer to home. Digitalization will accelerate further. Tourism and the food industry are likely to experience profound changes. Now is the time to start planning on how Albania can best capitalize on these opportunities.

Mr Mario Mariani, EU Delegation, emphasized the importance of dialogue with the business, as he put forward some important issues for business support:

- Proposals on employment and measures related are very important, especially those for retaining of employees and staff, support to businesses via supporting salaries, payments for social and health insurances etc.);
- Timely payments of debts the administration has towards businesses;
- The business should be informed and clarified in the simplest and most understandable way possible;
- The need to avoid contradiction on the different schemes and measures of support for categories of companies at the central and local level. The overall picture of measures should be seen (after package 1, 2, and potentially 3) which should be seen as a comprehensive set of measures which make sense globally;
- While the measures respond to the current crisis, they must support also the reform processes that we have been working on for years, such as the formalization of the economy. Thus, short-term measures in the context of the crisis (*many VAT exemptions make it difficult compliance with tax*), should be integrated with the medium-term dimensions of the reforms.
- To ease the burden on businesses for a number of processes, procedures, timelines - which the public administration can address very well for different categories of businesses.
- The intervention of international partners is focused on (i) the orientation of current programmes for making available liquidity, (ii) discussions on the macro-financial assistance that the EU will provide together with the IMF, (3) immediate assistance to the most vulnerable groups, (4) support for businesses and economic recovery by injecting funds to the



budget of approximately 15 million euros, starting this year and next year (i.e. support in the short term but at the same time support in the long run in the framework of reforms already initiated).

Mr Brian Williams, UN, said that the focus of the UN agency during this crisis has been on individuals who are most at risk, but it is also interesting to see the situation from a business perspective as it has a direct impact on the employment of people. In particular, the focus should be on the informal workers who should still receive support. Also, in some sectors such as those of tourism and transport, a dialogue should be established not only between the private sector and MFE or MSPE but also the Ministry of Health. Such sectors are particularly sensitive to the virus, which can lead to changes in their behavior to provide security measures against the spread of the virus.

Mr Artan Xbiani, Confindustria Albania, said that the expectations of the business are for more support from the government, as they still take into account the financial difficulties faced by the government. However, some measures which do not necessarily require financial funds can still be taken.

- Ease in the use of the creditable VAT on payment/compensation of business obligations while tax inspections are carried in a later moment;
- To consider the issue of freezing accounts in the frame of business obligations – temporarily suspended because of the situation, or because the administrators of the company are foreigners who have already left the country.
- For cases of incorrect financial declarations made by the businesses, to consider the alternative for payment of up to 20% of the value of the obligations to avoid fines and penalties.

Mr Ardian Lekaj, Chamber of Diaspora Business, expressed support to the various analyses being undertaking to better respond to the situation, adding that this is a crisis that has affected worldwide, both the supply and the demand.

- Regarding the drafting of a strategy for the recovery of the economy, he underlined the need for setting up a national group of experts.
- It is important to understand any intervention by the state, as there might be consequences in the financial system. Banks – State – and Businesses need to share the risk of losses and the PPPs that have not yet become operational should be reviewed and postponed for a period of 1-2 years.
- Measures should be assessed in a multidimensional analysis also in view of the market and its operators. At the core of all the measures should be the consumer protection and policies taken in this respect, therefore it is suggested to establish a coordination and monitoring agency that will control the domestic market and the rules of the game deriving from the strategy for the recovery of the economy.

Ms Natasha Ahmetaj, Bank of Albania, said that the banking system is an important partner in helping the recovery of the economy. The Bank of Albania has taken very seriously its role on the monetary policy but also its position in the banking system it monitors. The approval of loan installments postponing that cannot be paid as a result of the emergency situation has significantly reduced the interest rates of transactions carried out on distance but also serving the customers with extended hours in sensitive risk conditions for bank employees. But since banks are also businesses that have their own costs and obligations to shareholders and regulators, they need support from the regulatory authority that takes care of the country's financial stability. They have addressed to the

BoA a long list of demands which have been taken into consideration, while a good part of them are getting ready for implementation so that the banking system has more capacity to serve both private businesses and the government during these circumstances, therefore there is a willingness and move to face all these challenges together, but without compromising financial stability.

*Ms Diana Leka, IC Secretariat*, expressed the readiness of the Secretariat to give its contribution within its human resource capacities and in cooperation with the donors, to provide adequate support to overcome the current difficult situation. In addition, she informed participants that 15 April 2020 marked the 5<sup>th</sup> anniversary of the IC and congratulated the Secretariat's staff and all partners for their support during these years because without their cooperation, the Secretariat's work would have not achieved results.

*Minister Anila Denaj, MFE*, in conclusion to all discussions, summarised the comments raised by the participants, grouping them in two pillars: main issues for immediate and medium-term actions:

- **Unemployment** – as an economic and social concern, the government is trying to address it through the two financial packages already presented recently. In the first package, 60,240 individuals had been supported, mostly SME staff (granting them minimum wage); while in the second package, support is extended to include also large companies, those with an annual turnover of more than ALL 14 million. *Professional training is needed for employees who have lost their jobs to acquire new competencies so that they can be hired in other sectors with more employment opportunities.* At the moment, a technical working group is in place to ensure the gradual opening of closed businesses; Deputy Minister Belinda Ikonimi (MFE) is part of this group and based on the reported situation, decisions are taken every week.
- **Taxes** – Minister Denaj mentioned briefly tariffs and fines, and focusing mainly on the VAT reimbursements. She explained that MFE has been working since last year for all the companies to benefit VAT reimbursement with zero-day delay after the respective tax inspection, according to the FIFO control methodology (first-in, first-out). The General Tax Director will soon formally announce that VAT reimbursement will be automatic, especially for low-risk businesses. Regarding the postponement of local taxes and tariffs, Minister Denaj pointed out that due to the autonomy of local government units, this will take some time to be negotiated at the national level. As for the postponement of central government taxes, there has been a re-evaluation of this proposal and a decision has been made for the postponement of profit tax payments to 2021, including SMEs as well. The other mentioned issues, such as the fines or non-freezing of the accounts, will be reviewed in the next days and a decision will be made on them. Mr Colangeli mentioned a valid recommendation on incentives, but this is a medium-term instrument and certainly, it will be addressed again to assess the right time to put it into action.
- **Liquidity** is crucial to businesses for both, payroll payments and working capital. On 14 April 2020, we signed with banks the sovereign guarantee fund, ALL 11 billion for the first package. The whole administrative part for this financial package was prepared within a week and is ready to be used within all risk parameters. Risk-sharing is an additional element already included, which is mainly linked to the fact that, beyond the ALL 15 billion fund that was released by the government, banks can add their own amounts and the total value of the sovereign guarantee is thus increased, making more funds available for the businesses to ensure respective liquidity and working capital.
- **On the Subsidies** mainly for the agriculture sector, Minister Denaj considered them as medium-term tools being that in this direction, there have been some initiatives in the previous years. Support in this regard (also referring to the schemes mentioned by Mr Colangeli), is

being re-dimensioned not only for agriculture but also for tourism, while final papers are being prepared by the responsible ministries. Agricultural subsidies should go hand in hand with the modernization of all instruments that will make agriculture more productive, “Made in Albania” to be more competitive in quality and IPARD schemes to be 100% absorbed.

Minister Denaj also made transparency on the state budget situation after the two undertaken packages. Making reference to the budget deficit and macro-fiscal framework, in view of the first package of the normative act were added ALL 12 billion of expenditures and revenues were reduced with ALL 20 billion. The government is currently preparing a second normative act with a higher reduction in revenues, also due to the impact of non-payment of VAT, which has a major contribution to the state revenues. Therefore in June, a package will be proposed through a normative act where tax and customs revenues will be much reduced than those presented in the first normative act, at least with a figure three times more than ALL 20 billion, approximately ALL 60 billion in minus.

In parallel, with the increase of expenditures because of these two packages, the budget deficit will no longer be 4% but somewhere around 7%. This poses difficulties in resizing all these elements and on the other hand injecting into the economy all payments for March and April as budget ceilings have not been reduced. It has been clarified that five concession contracts are under negotiation, for which their budget ceilings have been reduced, and in the second package, two other contracts have been discussed to reduce these costs. Meanwhile, the government has calculated savings on the operating costs which will not occur, so the funds are being relocated and in June the ceilings will be reviewed again if necessary. Economic growth with the normative act of March 2020, will be revised in the second act of June to less than 2%.

Minister Anila Denaj, MFE, called the donors and members of the Investment Council to support the government and businesses by re-dimensioning the initiative taken at the last IC meeting of 2019, where three technical working groups were established jointly with three line ministries. She asked that possibly through the Secretariat to come up with a proposal to the government for the recovery of three priority sectors: agriculture, tourism, and energy. Following this technical proposal, and approval by all members, to formalize it and possibly within April to start the work so that in June, to have a strategy on a medium-term economic development plan negotiated with the parties and discussed with them. For what was announced as the third package, is indispensable to talk about a recovery package of medium-term development of key sectors, with lessons on how these sectors can be resized in the future, revaluation of the entire fiscal package, mainly oriented by the IMF, in what is the medium-term revenue strategy.

#### **IV. Closing of the meeting**

In conclusion, in the occasion of the five-year anniversary of the IC (15 April 2015 – 15 April 2020), the Minister thanked the IC members for the invaluable contribution in particular for bringing to a higher level the public-private dialogue model in the country, but also fulfilling the mutual objectives of both parties being transposed into effective measures. The Minister expressed her wish for ongoing collaboration.

Minister Denaj thanked the participants and guests for their participation and contribution in the discussions and proposed that the next meeting be held at the end of May.



## List of participants

### Government representatives

1. Ms Anila Denaj, IC Chair/Minister of Finance and Economy
2. Mr Eduard Shalsi, Minister of State for Protection of Entrepreneurship
3. Ms Natasha Ahmetaj, Deputy Governor, Bank of Albania
4. Mr Sokol Nano, CEO, AIDA
5. Ms Blerina Turdiu, CEO, Albanian Fund for the Development of Diaspora

### Business representatives

1. Mr Nikolin Jaka, Chair of the Chamber of Commerce and Industry of Tirana
2. Dr. Constantin Von Alvensleben, President, FIAA
3. Ms Ines Muçostepa, Chair, Union of Chambers of Commerce and Industry (UCCIAL)
4. Mr Artan Xhiani, Founding Partner of Confindustria Albania, delegated by President of Confindustria Albania, Mr Sergio Fontana
5. Mr Enio Jaço, President, AmCham
6. Ms Stephanie Sieg-Farka, President of German Chamber of Commerce and Industry (DIHA)
7. Mr Ardian Lekaj, Legal Representative, Albanian Chamber of Diaspora Business
8. Ms Linda Shomo, CEO, Easy Pay (*ad-hoc*)
9. Mr Mirush Bejko, CEO, Agrotech (*ad-hoc*)

### International partners

1. Mr Matteo Colangeli, Head of EBRD RO in Albania
2. Mr Mario Mariani, Head of Coordination, EU Delegation in Albania
3. Ms Hilda Shijaku, Economist, Office of World Bank in Tirana
4. Ms Laura Qorlaze, Country Representative, IFC Office in Albania

### **Special guests:**

1. Mr Brian Williams, UN Resident Coordinator in Albania
2. Mr Patrik Meier, Deputy Head of the Swiss Embassy in Tirana
3. Ms Petra Burcher, Counsellor, Head of Development Cooperation, Swedish Embassy
4. Ms Fioralba Shkodra, Head of UN Resident Coordinator's Office