

SUMMARY OF MINUTES OF MEETING
INVESTMENT COUNCIL (IC)
MEETING XXVI

***“Presentation of MFE’s Priority Intervention Pillars –
in follow up of IC and Business Community Recommendations”***

Tirana, 31 January 2022, 10:00 – 11:20

The meeting was held in a hybrid format and was chaired by the Minister of Finance and Economy, Ms Delina Ibrahimaj (IC Chair). The meeting was attended by 14 IC members and over 70 observers – representatives of local and foreign business associations and state institutions in Albania.

1. Opening of the Meeting by Minister Delina Ibrahimaj, IC Chair

In her opening speech, Minister Ibrahimaj said that the Ministry of Finance and Economy will draft a work plan to improve the investment climate in the country. This plan will be drafted based on the recommendations of the business community and the problems identified during the roundtables with businesses and various working meetings. The focus of this meeting is the presentation of the main of MFE’s intervention pillars to improve the business and investment climate in the country.

Minister Ibrahimaj spoke about the importance of this meeting to understand how business feels about the economic cycles that the country is going through and how the government can better cooperate to help stimulate investments, encourage businesses and improve economic conditions in the country. The Investment Council is a platform that has helped a lot over the years and to address important elements for the economic development of the country, such as the formalization of the economy, the development of tourism or agriculture—as two key sectors, or various surveys for the tax administration, in order to improve tax procedures and improve the provision of services to the business.

2. Presentation of the Matrix of Recommendations and Priorities

Minister Delina Ibrahimaj, MFE, informed that MFE has collected a total of 194 recommendations submitted by Amcham, FIAA, IC as well as EU experts, which have been categorized into 27 identified topics—addressed to 10 ministries, the Bank of Albania and some subordinate institutions.

The recommendations address topics related to tax legislation, fiscalization, banking regulatory framework, e-commerce, bankruptcy law, personal income tax, profit tax, fight against informality, protection of commercial goods, foreign direct investment, etc. Reflection of some of the recommendations has already started, as they have been identified in the daily work of the MFE, such as fiscalization, personal income tax, profit tax or the fight against informality.

Some initiatives undertaken by MFE are:

- Preparation of the draft Law on Income Tax and Personal Income in cooperation with IMF, which will initially go through internal consultation and then will pass for public consultation.
- One of the problems that the business has had over the years in relation to the legislation has had to do with the rapid changes and non-consultation of some elements. In the last two years, the government has drafted a longer-term strategy, which provides for the cancellation of exemptions that been resulted to be ineffective, etc. The draft will be released for consultation within this week.

Minister Ibrahimaj stressed that meetings will be organized with representatives of ministries and representatives of business associations, according to specific topics, in order to analyze all recommendations, with the aim of finalizing and prioritizing them within 15 February. Afterwards, groups of interest will be created to analyze in-depth the recommendations and by 28 February we expect to have more technical working groups—MFE with business associations.

The preparation of the work plan is intended to be achieved at the beginning of March, while its implementation is to be completed by the end of June. The drafting of the legal proposal and the consultation of this legal proposal can be considered as implementation, in order for the recommendation to be implemented.

The list of recommendations will be shared for consultation with all partners present at this meeting, to include other remaining recommendations.

3. Summary of discussions on recommendations' priority topics

Dr. Constantin Von Alvensleben, FIAA, confirmed FIAA's support for this process, appreciating that 85 FIAA's recommendations published in the White Book, are already included in the MFE's list. Considering that this meeting will address topics related to MFE, Dr. Von Alvensleben prioritized practical aspects of fiscalization, the draft Law on Income Tax, and VAT Reimbursement. More specifically:

- Attention to solving technical problems related to fiscalization, disproportionate costs and penalties in the next 6 months.
- Non-delays in the adoption of the new draft Law on Income Tax, or the fight against informality as per OECD standards, including issues such as the differential taxation of self-employed people and other taxpayers, and VAT reimbursement.

Dr. Von Alvensleben expressed commitment to work with working groups in line with the agenda, noting that the FIAA has been an active IC member and contributor in the improvement of the climate in the country for nearly 22 years and in this context, FIAA should be a permanent IC member.

Mr Enio Jaço, Amcham, considered the meeting as one of the most important meetings of the IC. Amcham has spent over 1 year on the topic of prioritization of recommendations, with a focus on the detailing of the work for the improvement of the investment climate, officially presented in 2021. The improvement of the investment climate is a top priority for Amcham, therefore the commitment is very high. Mr Jaço expressed his trust in the team that will deal with this process (MFE and IC) with the expectation for tangible results.

As the issues are very diverse, Amcham has set up 8 working groups that are ready to work with MFE's working groups in a very cooperative spirit.

Mr Arben Shkodra, Union of Albanian Producers, appreciated the organization of this meeting and emphasized:

1. The need to prioritize the implementation of the law on public consultation, which should be put at the top of all recommendations. The lack of a consultation process has created dissatisfaction among the business, leading to the perception that the business-government relationship is not working. This law deals with the consultation of laws, but not of the issued DCMs, bylaws, orders and instructions which have a significant value for the business. Failure to consult these acts leads to contradictions that arise during the on-site inspections. Therefore, the Law on Public Consultation should be a priority.
2. The need for a legal basis that supports and protects the enterprise from the shocks of world conjunctures. The 2019 November earthquake and the Covid-19's pandemic best proved the impact on the business, so this legal basis would also serve the government, which would no longer have to make up ad-hoc guarantees on an occasional basis.
3. The need for a proper reform on the administrative procedures. Deregulatory reform, although superficially tackled, has not yet been entirely and thoroughly addressed. Proper procedural facilitation would be quite important at this point, as the business is understanding the monetary value spent every day for procedures which may be completely unnecessary at this point.
4. Business challenges deriving from the European integration process. Despite the fact that we have been waiting for the opening of negotiations for a long time, for Albanian producers this means uncertainty whether or not they will continue to exist in their current state after the opening of negotiations. Therefore, public dialogue is needed through discussion, information and awareness platforms on what it means to have a common European market for an Albanian producer.

Mr Shkodra expressed the highest support for the initiative taken in this meeting and the willingness of the Union of Albanian Producers to contribute.

Ms Ines Muçostepa, UCCIAL, commended the work done in structuring the business recommendations and setting up respective working groups. Among others, she stressed:

- The need to solve technical problems of fiscalization, disproportionate costs and penalties, in the next 6 months.
- Public consultation of the legal acts. Consultation with the business on the frequent legal changes is of particular importance and in all the meetings of this Council, and the issue has been raised frequently.

Last year, UCCIAL played an important role especially in regards to the Open Balkan initiative. During 2022, UCCIAL will give its contribution by being part of the working groups within this initiative.

Mr Ardian Lekaj, Albanian Diaspora Business Chamber, spoke on the importance of the sustainability of legislation and reforms that will be undertaken, as their frequent changes make businesses feel insecure.

Mr Agim Rrapaj, KASH, expressed his gratitude regarding the meeting held between MFE and the Ministry of Agriculture regarding the sovereign guarantee, saying that the allocation of such an amount of money is expected to change the business climate and business expectations for tangible results in 2022. Among others, Mr Rrapaj emphasized:

- The need for the involvement of microfinance in lending to agriculture and the food industry.
- Involvement of all actors in discussions and working groups to provide solutions to the recommendations presented.

Mr Eni Xheko, ATTSO, expressed support and willingness to cooperate in any group where ATTSO will be assigned with the hope that these recommendations will be fulfilled soon.

Mr Nikolin Jaka, Chamber of Commerce of Tirana, raised the following issues:

- Public consultation of legal initiatives should be a priority, bringing to attention the bad experience with this year's fiscal package. The business requires stronger trust and public-private partnership. Consultations should be made by experts to increase credibility and effectiveness to the economic development.
- The government should focus strongly on the final implementation of fiscalization. There is another postponement of deadlines and this increases the distrust of those who are already applying fiscalization and it makes room for increasing informality. Fiscalization should support the formalization of the economy by reducing informality that undermines the climate of doing business in the country.
- We are already involved in regional initiatives, such as the Open Balkans, but the government should consider taking measures to protect the most affected industries, seeing how the countries of the region, Serbia and Macedonia, subsidize their industries, economies and products by making them more competitive than Albanian products.
- We are for the opening up the economy, but with stable fiscal rules, reciprocity and laws. The time has come to make a fiscal reform in the country and then these laws to be sustainable to create a good business climate.
- Inclusion in the recommendations of the enforcement of contracts by the public administration, which today is creating numerous costs for the economy and the budget of businesses, as most of them end up in arbitration courts.

Ms Katia Stathaki, Vodafone Albania, raised two issues:

1. Boosting of digitalization in the country, for the successful implementation of fiscalization. Today there are still many small companies that do not even have any connectivity and they have not had the need to pay to connect themselves to the central system. Today in Europe, the boosting of digitalization in SMEs is done through “*zmi vouchers*” and maybe their application can be considered also in Albania for the next 1-2 years.
2. Companies that have monthly bills to manage – should be exempted from non-cash invoices. For example, Vodafone Albania issues its invoices on day one, and the invoice is paid on day 10 in retail shops. Imagine if all the customers would go to the banks to pay their monthly invoices. This is a bad experience for Albanian society, but also for the banks not mentioning here also bank commissions. This is an issue that needs to be looked at in a different way, although a lot of escalation has been made without any inputs so far. This affects not only telephony services companies but all the service companies that issue an invoice on a specific day and the payment being done on another day.

Minister Delina Ibrahimaj, MFE, thanked for the discussions and responded briefly to comments raised at the meeting.

- Regarding fiscalization, the goal is that with legal changes, instructions, DCMs, etc., MFE will be able to address specific recommendations in the working groups that will be set up.
- Sovereign guarantees are essential especially during Covid-19, although their implementation did not have a specific objective. MFE has already provisioned in the budget 3 additional sovereign guarantees for three different sectors (manufacturing,

agriculture and tourism) where there is a lack of funding. The first consultation with banks started with the agriculture sector taking into account also the very low access to finance in this sector. Of course, microfinance will also be included here.

- Regarding the deregulatory reform, it was said that a lot has been done in this direction. Most of it is directed towards the digitalization of services in order to identify problems in the provision of public services and those procedures which are perhaps more lengthy and unnecessary. Therefore, it is encouraged the establishment of a working group that will analyze public services, especially those provided by the MFE's subordinate institutions.
- Regarding the raising of awareness among the business about the European single market, the Minister informed that consultation has already started, which will continue to provide information on how businesses can protect their domestic production and how they can get oriented towards the opening to single markets.
- The School of Fiscal Administration has been re-dimensioned during the last year to increase the quality of the administration service, but also to continuously test them, knowing the problems of the service.

Minister Ibrahimaj informed that the Secretariat will send within the next day to all participants the priorities presented at this meeting, working groups and contact points where everyone can give their contribution so that a plan is finalized by February, followed up with implementation and reporting by June 2022.

4. *Presentation of the 2022 IC Agenda & Launching of the IC Publication “On Investment Climate (2015-2021)”*

Ms Diana Leka, IC Secretariat, presented the agenda of the Investment Council for 2022 based on the voting of all members, where the most voted topics were:

1. Availability, quality of skills and employment informality—critical issues affecting the country's competition, well-functioning of the private sector and attraction of FDIs;
2. How to become the most attractive investment destination in the Western Balkans?
3. Consultation and transparency of government acts and initiatives to businesses and stakeholders;
4. The current challenges faced by the private sector in terms of getting energy.

In the end, Ms Leka launched the latest publication of the Secretariat, which integrates all the technical working documents prepared by the Secretariat in collaboration with IC members and partners since 2015. She presented the four main pillars of the book saying that this book can also serve as a source for analyses on issues discussed over the years in the IC for the improvement of the investment climate. She thanked all the IC stakeholders and partners, IC chairs (Ministers), SECO and EBRD.

Minister Delina Ibrahimaj, MFE, thanked the Secretariat for the presentation and making reference to the IC topics for 2022, she stressed that all the reforms that are currently underway, unquestionably require the capacity building of human resources. Referring to informality, she informed that during this year, the government will work on creating a comprehensive strategy to address informality in a comprehensive approach, not only from the tax perspective. Regarding the consultation, the Minister expressed the commitment for the continuation of roundtable discussions such as this one of the IC or in other specific consultations. In the end, she gave the floor to Deputy Minister Vjero for information on fiscalization.

Ms Vasilika Vjero, MFE, informed the participants about the progress of fiscalization, noting that the process has entered its 3rd year.

- The fiscalization process has been very difficult for the tax administration, the Ministry of Finance, as well as for the public and taxpayers. Even today we continue to face many questions and many unclarities.
- Currently, we are in the final stage of implementing the process. The entire legal basis and bylaws are already concluded and completed, reflecting at large scale also those issues that have come out during law implementation. All kinds of criticism coming from taxpayers have been carefully considered. There is a readiness to improve all the guidelines and practices for both taxpayers and the tax administration.
- The fiscalization process has not been postponed for 6 months. A grace period has been given only to the small taxpayers until the end of June 2022, due to the difficulties they face because of their type of activity, distance, location, lack of technology, internet, etc.
- Financial institutions also will not be subject to penalties in the first 6 months, including utility operators (OSHEE, water utility companies) which have demanded some time to upgrade their information technology systems. However, in the list of recommendations, fiscalization is the main topic, followed by the law on income tax.

Regarding the new draft law on income, she said that it must include all the international tax elements and be harmonized with the EU Directive. The public consultation process will start very soon.

Ms Diana Leka, IC Secretariat, thanked the members and partners attending the meeting, saying that all the comments will be grouped, published and followed up as part of the transparency and inclusiveness principles that members have agreed since the beginning of the work of this structure. These are some of the strengths of this platform, keeping high the interest of stakeholders and partners.

Closing of the meeting

At the conclusion of all comments, the meeting was considered closed.

List of participants

Government Representatives

1. Ms Delina Ibrahimaj, IC Chair/Minister of Finance and Economy

Business representatives

1. Mr Nikolin Jaka, Chair of Tirana Chamber of Commerce and Industry
2. Ms Ines Muçostepa, Chair of Union of Chambers of Commerce and Industry (UCCIAL)
3. Ms Eni Xheko, Chair, Turkish Chamber of Commerce and Industry in Albania (ATTSO)
4. Mr Arben Shkodra, Secretary-General, Union of Albanian Producers
5. Mr Enio Jaço, President, AmCham Albania
6. Ms Valbona Begolli, Deputy Chair, Women Economic Chamber
7. Mr Ardian Lekaj, Chair, Albanian Chamber of Business Diaspora
8. Ms Katia Stathaki, CEO, Vodafone Albania (*ad-hoc*)
9. Dr. Constantin Von Alvensleben, President, FIAA (*ad-hoc*)

International partners

1. Ms Ekaterina Solovova, Head of EBRD RO
2. Ms Ledia Muço, Advisor for Economic Affairs, delegated by Mr Hubert Perr, Head of Cooperation, EU Delegation
3. Mr Emanuel Salinas, Country Manager, World Bank
4. Ms Laura Qorlaze, Country Representative, IFC Office

Absentees:

1. Ms Edona Bilali, Minister of State for the Protection of the Entrepreneurship
2. Ms Natasha Ahmetaj, Deputy Governor, Bank of Albania
3. Mr Arian Leço, Head of Entrepreneurship Department, Albanian Fund for the Development of Diaspora
4. Mr Sokol Nano, CEO, AIDA

Other participants:

1. Ms Vasilika Vjero, Deputy Minister, MFE
2. Mr Besart Kadia, Deputy Minister, MFE
3. Mr Olta Manjani, Deputy Minister, MFE
4. Mr Gazmend Toska, Administrator, Marlotex
5. Ms Bora Feri, CEO, Chamber of Commerce France-Albania
6. Ms Gerta Bilali, CEO, Confindustria Albania
7. Ms Anisa Jasini, EY Albania
8. Mr Ante Frens, CEO, SHELL Albania
9. Ms Mira Pogaçi, CEO, Albanian Trade Union
10. Mr Patrick Pascal, CEO, Selenica Bitum