



Semi-Annual Activity Report 2016

JANUARY - JUNE 2016

Investment Council Secretariat | Tirana, Albania | July 2016

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I. INTRODUCTION

The main objective of this report is to present an overview of the overall work performed by the Secretariat of the Investment Council in Albania during January – June 2016 in view of the accomplishment of the duties as specified in:

- The Memorandum of Understanding signed between the Government of Albania and EBRD in February 2014;
- Terms of Reference regarding the Secretariat of the Albania Investment Council;
- The Decision of the Council of Ministers No. 294 dated 8.4.2015 “On the Establishment of the Investment Council in Albania.”

This initiative aims to support activities focused on business climate by helping to identify main investment impediments in key sectors, reviewing and evaluating draft relevant legislation and developing best practices in the prevention of and fight against corruption and informality.

During the first semester of 2016, our main objective has been to keep up with the constructive dialogue government – business as successfully initiated in 2015, provide feasible recommendations to the Albanian Government in the topics suggested by the business and approved by the IC members as well as advocate for the recommendations approved by the IC in 2015.

During the reported period have been conducted three IC meetings by tackling the following topics:

1. Dispute Resolution Mechanisms between the Business and Public Administration - 2nd March 2016;
2. Incentive Investment Promotion Policies: Albania against Western Balkans Countries, - 27th April 2016
3. For Formalization of the Agriculture Sector: The well-functioning of the VAT Compensation Scheme and Promotion of Investments - 29th June 2016.

Until the first half of 2016, the IC has approved 45 recommendations on: 1) Tax Inspections, 2) Fight against Informality, 3) Dispute Resolution Mechanisms Between Business and Public Administration, 4) Incentive Policies on FDIs, 5) Informality in Agriculture as well as 70 practical measures tailored to address such recommendations. All these have been officially submitted by the Secretariat to the Prime Minister’s Office and relevant Albanian authorities for further action.

As in the previous year, Secretariat’s work during 2016 continued to rely on its main principles – transparency, inclusion and protection of the business rights and support to the many initiatives undertaken by the government to enhance the investment climate and business environment in the country.

II. OBJECTIVE AND MANDATE OF INVESTMENT COUNCIL

2.1 Overall Objective

- a) According to Government Decision, the objective of Investment Council is to promote constructive dialogue and the exchange of views between the Government and the private sector, with the purpose of:
 - a) Development of the private sector and improving the business climate and fostering domestic and foreign investments;
 - b) Identifying the main impediments in the business environment in different sectors of the economy and formulating intervention strategies to reduce administrative impediments;
 - c) Identifying main impediments to foreign direct investments and setting up a platform of objectives, initiatives and mechanisms necessary to attract more investments, both foreign and domestic;
 - d) Develop methods that facilitate access to finance for new and existing businesses.
 - e) Reviewing and evaluating draft legislation affecting business and proposing relevant changes to the existing regulatory framework regarding the impediments to starting, operating, growing or closing a business.
 - f) reviewing, analysing and reporting on incidents of unfair and abusive practices against business and facilitation of dispute resolution procedures;
 - g) Developing best practices in the prevention of and fight against corruption for issues related to the private business, while supporting the National Strategy of the Fight against Corruption.
 - h) Facilitating the exchange of experiences and best practices from other countries in the regulatory reform promotion process

2.2 Mandate

The Investment Council is to act as an advisory body with the mission to facilitate dialogue between representatives of the business community and Government in an effort to develop a favourable, non-discriminatory, transparent and investment-friendly business environment.

III. ACCOMPLISHMENT OF THE ACTIVITIES

Key Functions (as per Government Decree)	Accomplishment	Comment
Develops and proposes the agenda for the Investment Council's meetings, based on propositions made by the Investment Council's members.	✓	Accomplished for all the meetings.

Organizes the Investment Council's meetings and invites non-permanent members in the Investment Council's meetings as per Council's needs.	✓	Non-permanent members are assigned annually upon Decision of the Chair following IC Meeting 1 (Jul 2015)
Informs the Investment Council's members and guests 10 days in advance about the date and the agenda of the Investment Council's meeting and the materials to be considered in this meeting.	✓	Accomplished for most of the meetings.
Coordinates the Investment Council's activity including preparation of meetings, drafting proposals for interventions, consultation with the business community, providing training technical session.	✓	Accomplished for all the meetings (all the relevant documents published on IC webpage www.investment.com.al).
Assists the Investment Council in discussing and reviewing specific sectorial cases, legal and administrative procedures which have been brought to the Secretariat, as well as specific complaints from the businesses regarding untrustworthy and discriminating practices.	✓	Identified and collect factsheet on sectorial cases (i.e. case related to milk industry - Informality in Agriculture; case related to hydrocarbons industry or banks issue on write-off, Dispute Resolution). Handled business complains from Raiffeisen Bank, Delta Group, Tik-Tik, Energy Companies etc. An IC database of business issues/concerns which evidence the issues is already set up by Secretariat. By the end of June 2016, about 31 business issues).
Organizes economic researches and analysis according to the Investment Council's objective and reports the findings to the Investment Council	✓	Accomplished for all the meetings.
Prepares detailed agenda, with the respective reports and minutes of Investment Council's discussions	✓	Accomplished for all the meetings.
Supports and monitors the implementation process of the Investment Council's propositions, evaluates the results and the impact on investment climate's effectiveness.	ongoing	Ongoing process. To be evaluated the results and the impact of the IC recommendations on the climate's effectiveness at the end of 2016.
Reports to the Investment Council members, as well as to other stakeholders about the achieved progress.	✓	Status of previous IC recommendations is being reported in the beginning of each IC Meeting.

Informs the public about the Investment Council's activity.	✓	Ongoing update through the IC Website, publications in the media, etc.
Develops the internal draft regulation of the Investment Council's function	✓	Approved in the first IC Meeting (1 July 2015)

IV. MONITORING OF PREVIOUS IC RECOMMENDATIONS

1. Government has initiated to endorse 14 IC recommendations, while some other are under ongoing discussion. For the reporting period, the achievements can be summarized as following: Increase awareness to the Government on the need of enforcing the notification and Public Consultation Law. The Government has recently adopted an obligatory template on public consultation of government acts for all the public institutions. Moreover, Ministry has started to share with Secretariat for comments and suggestions, draft-laws subject to public consultation like for example; Draft-Law On "Some Additions and Changes to Tax Procedures Law", Draft-Law " For the Recovery and Extraordinary Intervention in Banks".
2. One of the main recommendation that IC has provided to the Government is to consider incentives as an instrument in the fight against Informality. During the second phase, the Government has continuously referred to the IC such as different public speeches of the Ministry of Finance, including the major reform on Simplification of Tax Procedures (published by June 2016). Main focus of the proposed reform was "incentivize rather than punishing actions towards businesses."
3. The IC has strongly emphasized the importance of fair and independent administrative appeal models/functions within the Government mainly for tax, custom, inspection and procurement issues to efficiently resolve disputes between businesses and public. A very important debate has been generated in the media based on the findings of the IC paper especially on the efficiency of the Dispute Resolution Mechanisms (e.g. on Top News, Monitor Magazine, Ekonomia Magazine, TV Scan, Top Channel TV, etc.)
4. As relates to the incentives on investment - while confirming that Albania remains quite competitive on FDIs (inflow) in the region, IC recommendations on publication of a map of incentives, map public properties, preparation of prefeasibility projects for AIDA, etc. - has already been initiated by the Government. See [here](#) the online database.

V. INVESTMENT COUNCIL MEETINGS IN 2016

5.1 MEETING IV - DISPUTE RESOLUTION MECHANISMS BETWEEN BUSINESS AND PUBLIC ADMINISTRATION

The IC Meeting IV was held on March 2nd, 2016 at the Ministry of Economic Development.



Picture 1. Investment Council Meeting IV, March 2nd, 2016

Preparatory phase-Identification of key impediments

Following meetings held with businesses, including two surveys conducted by the Secretariat (in September & November 2015), companies have emphasized that: *“budgetary institutions and their relevant staff often ignore or do not know the laws and rules pertaining to their operations and take decisions that are arbitrary and incompliant with effective laws.”*

Additionally, several articles and reports published in the media claimed the high workload of the administrative courts in Albania. While a total of about 12,000 cases were pending only in the Tirana Administrative Court of Appeal, subject to judgment by only 7 judges. The performance of these courts which by jurisdiction should decide on the administrative dispute cases between business and public administration, was considered by experts, businesses and even by the Government (i.e. Minister of Justice) as non-adequate both on quality and speed in judgement indicators.

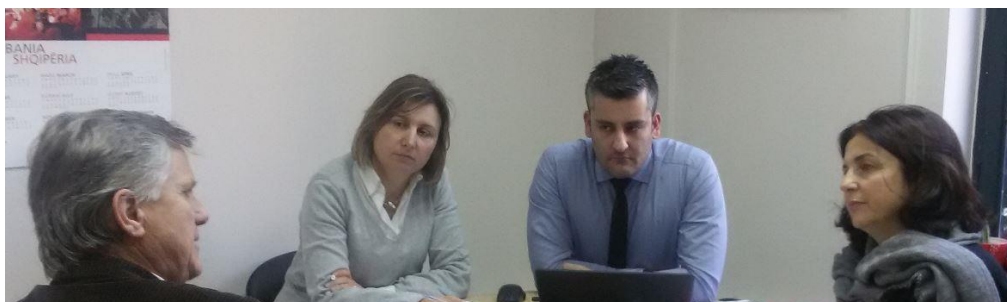
Thus, the Secretariat looked more in depth the functioning of the appealing systems in the following institutions:

1. Tax Appeal Directorate
2. General Directorate of Customs
3. Appeal Commissions (Inspectorates)
4. Public Procurement Commission

Methodology & People Consulted

For purposes of this Paper, data from the Ministry of Justice, Administrative Court of First Instance in Tirana and the Administrative Court of Appeal were collected on judicial cases of businesses for 2014 and 2015. The analysis was also based on the statistics of the Central Inspectorate, General Tax Directorate (GTD), General Customs Directorate (GCD), Public Procurement

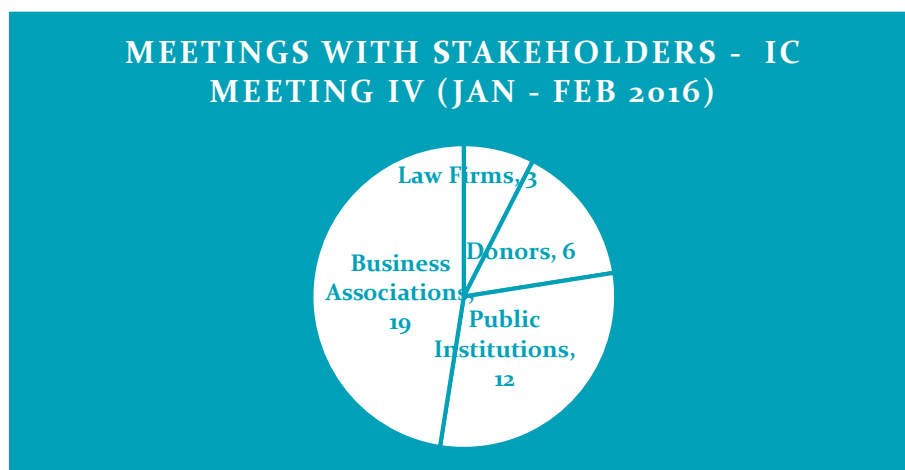
Commission (PPC), National Agency of Natural Resources (NANR) and the National Registration Centre (NRC) for cases of administrative appeals and their progress in these institutions.



Picture 2. Meeting with, Tax Appeal Director

The Secretariat also analysed data on cases filed by businesses to administrative courts, with the intention of having a profile of institutions to address and of making the relevant analysis. The Ministry of Justice and the Tirana Administrative Court provided data on the number of administrative cases involving businesses and the Public Administration during 2014 -2015. For purposes of recommendations, reference was made to models of different countries such as Kosovo, Macedonia, Lithuania, etc.

Interviews were conducted (about 40) with legal firms, lawyers, experts, businesses, as well as representatives of the administrative courts and above-mentioned institutions. The interviews were conducted in line with a standard of predefined questions.



Graph 1. Consultation with Stakeholders in the framework of IC Meeting IV

The recommendations provided by the Secretariat, were later prioritised considering the urgency of problems from the point of view of an investor. Elements pertaining to practical aspects relating to principles, procedures and deadlines for the review of administrative complaints, particularly those of institutions the decisions of which have a considerable financial impact for the business, such as tax and customs institutions.

Organization of the IC Meeting

The Meeting took place in the premises of the MEDTTE and was chaired by Ms. Milva Ekonomi. It was generally accepted that strengthening the institutional independence of the administrative appeal structures was a must and it would increase the credibility of such structures while implementation into practice of the provisions of the Law “On Public Notification and Consultation”, would help in decreasing the number of disputes.

In the meeting, there were present 13 IC members (5 government representatives, 4 international partners, and 4 members from the business community), while absent 4 (Minister of State for Relations with the Parliament, General Tax Director, and 2 companies). In addition, attended the meeting a delegation from EBRD London, from ICGG Department, led by Mr. Franklin Steves, Senior Counsellor.

Approved Recommendations

13 recommendations in total were elaborated for the government bodies and approved by the IC Members. The recommendations were divided in three main pillars:

- I. For an efficient access to administrative appeal:**
 - a) Facilitation of access for businesses in exercising the right to administrative appeal in fiscal cases. Although that some improvements in this perspective have been done (i.e Banking Guarantee as an alternative to prepayment has been stipulated under the Law 9920), further improvements are requested.
 - b) Decisions of TAD, as the upper administrative unit that decides on Appeal matters, should be automatically binding for the Regional Tax Directorates.
 - c) To effectively increase the independence of TAD and separation of its functions from the structure of General Tax Directorate (GTD).
- II. For the substantial efficiency and independency of appeal structures within public administration:**
 - a) Suggested to merge and centralize Inspectorates’ appeals at the Central Inspectorate, in order to enhance the professionalism, independence and trust regarding the appeal in the State Inspectorates.
 - b) To draft/ include in the internal administrative acts (NANR, State Inspectorates, Tax Administration, Custom Administration) the procedures on mechanisms of prior constructive consultation with businesses for discussing the problems and potential solutions (referring to the Law 146/2014)
 - c) Informatisation (e-filing, online statements, online exchange of information, etc.) of systems between institutions of the administration such as for instance among the tax administration, customs administration, IPRO, transport directorates, etc.

- d) Interpretation through a special Instruction of Council of Ministers to public administration bodies for procedures to be followed regarding recommendations reported by Supreme State Audit.
- e) Unification of the timelines for exercising the right of the administrative appeal is deemed necessary.
- f) Staff sustainability and continuous professional advancement of appeal structures in institutions.
- g) The unification of practices and preparation of commentaries for similar cases, especially in Tax, Customs and Inspectorates, possibly in the sectoral viewpoint, such as banking, agro-industry, natural resources, etc.
- h) Establishment of one stop shop for informing and raising awareness of the business to be compliant with the legislation (efficiency of structures that serve to the business in Tax/Customs/NBC).

III. For the transparency of appealing structures:

- a) The decisions of TAD/Inspectorates/GCD must be made public systematically.
- b) Publication of annual reports of GTD, GCD and special Inspectorates as well as the inclusion in this annual reports the outcome of administrative appeals and their progress in Court.

Follow-up with the State Institutions

As a standard procedure, The Decision of the Head of IC approving the recommendations together with recommendations, minutes of the meeting drafted by the Secretariat and other related materials were sent to the Prime Minister Office. Moreover, the corresponding recommendations were forwarded to the relevant authorities.

The approved IC recommendations were submitted by the Secretariat to the 7 state institutions, while informed 10 institutions (public, donor, etc.).

Click on the following, for more information:

[Agenda of the IC Meeting IV](#)

[PPT Presentation by Head of the Secretariat](#)

[Summary Report on Dispute Resolution prepared by the Secretariat](#)

[Working Document on Dispute Resolution prepared by the Secretariat](#)

[Matrix of Recommendations on Dispute Resolution](#)

[PPT - Data on Administrative Appeal](#)

[Minutes of the IC Meeting IV](#)

[Decision of the IC Chair](#)

5.2 MEETING NO. V - INCENTIVE POLICIES FOR INVESTMENT PROMOTION: ALBANIA VS. WESTERN BALKANS COUNTRIES

The IC Meeting V held on April 27th, 2016, at the premises of Tirana Business Park, where the new offices of the AIDA were now located in. Main objective of the analysis was to highlight investment incentives in Albania and compare with other Balkan countries in the region, to bring the investors' perspective, their concerns and recommendations on business climate in the country.



Picture 3. Investment Council Meeting V, April 27th, 2016

Preparatory phase

After a preparatory analysis and discussions held with different partners, the Secretariat looked at the main macro picture of the country, and found that Albania ranked second in the region regarding the amount of FDI flow (behind Serbia). FDI flow in Albania was 881 million EUR (2015) from 869 million EUR (2014). While Albania is ranked last in the region for 2011-2014 regarding the number and investment value of announced Greenfield projects for 2015 (until August 2015) - number of projects announced was 3, investment value of 118 million USD and 100 jobs created. In addition, for 2016, Albania was estimated a *moderate freedom* of investments index along to Serbia and Montenegro.

In order to evaluate advantages in terms of concrete incentives offered by the Western Balkan countries, a matrix of incentives was prepared for each country based on the official websites of their government agencies for the promotion of investments. Concretely, some aspects such as fiscal burden, fiscal relief, economic zones, other non-fiscal incentives, or incentives provided to certain sectors were taken into account and summarized to stimulate the debate.

Methodology & Consultations

The Secretariat consulted the most updated international assessment reports on the performance of FDIs on the Albanian economy and Balkan countries. Additionally, based on a structured questionnaire, several consultation were held with more than 20 business representatives operating in Albania and in the region too. It helped to get their views on main incentives that an investor is provided in Albania and other countries of the region. In addition, the

Secretariat cooperated closely with AIDA, as the main investment promotion agency in the country.



Graph 2. Consultation with Stakeholders in the framework of IC Meeting V

Focus Group Meeting

On April 19th, 2016, the Secretariat of Investment Council organised a Focus Group Meeting in the framework of the analysis “Incentives for investment promotion: Albania compared to Western Balkan Countries”, in the framework of the next Investment Council Meeting scheduled on 27 April 2016. In the meeting participated representatives from public institutions dealing with investment policies and statistics and entrepreneurship from MEDTTE, Bank of Albania, Albanian Investment Development Agency (AIDA), National Business Centre (NBC) and INSTAT.



Picture 4. Focus Group Meeting, April 19th, 2016

Issues raised during the meeting were related to concrete incentives included in the IC analysis, mainly focused on : implementation progress of the pertinent legislation such as TEDA Law, Law on Strategic Investment, verification/accuracy of data on foreign investment flow for 2015, interest of re-investment of current foreign investors during the last year and pertinent sectors, registration of foreign companies and reflection in the official statistics, average salary in the private sector in Albania and region, etc.

Among others, it was agreed that the Secretariat would initiate a Collaboration Agreement with the central institutions for the improvement of

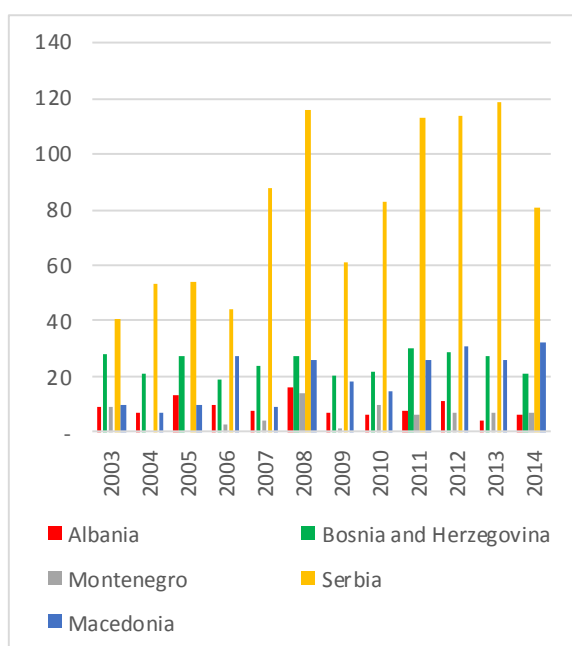
data on FDIs. Main objective of this initiative was creation of readable data from the ministries and other stakeholders for more insightful analysis in order to better serve to policy-making and decision-making.

Organization of the IC Meeting V

The meeting took place at the new premises of AIDA - at Tirana Business Park and chaired by Ms. Milva Ekonomi, Minister of Economic Development, Tourism, Trade and Entrepreneurship. In the meeting, there were present 13 IC members (6 government representatives, 4 international partners, and 6 members from the business community), while absent Minister of State for Local Government/National Coordinator of the Anticorruption Strategy, Mr. Bledi Çuçi.

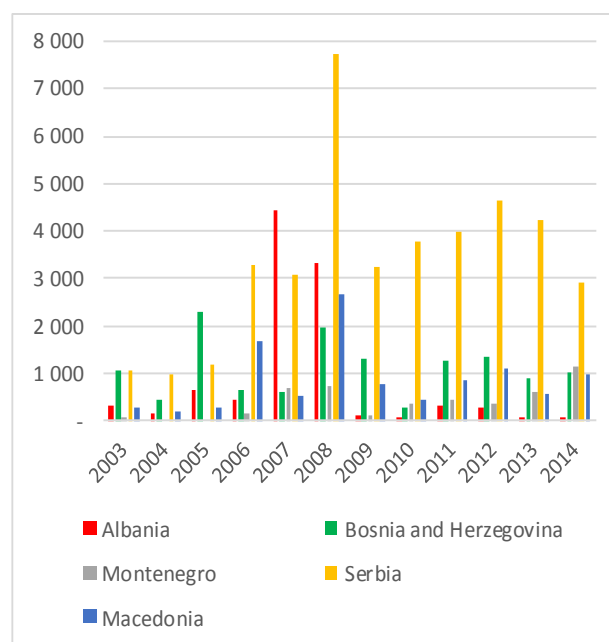
A presentation on the main pillars of the analysis conducted by the Secretariat and AIDA was delivered by Head of the Secretariat, focused on the context, methodology, and eventually on the main findings and recommendations deriving in close consultation with business community. In addition, Mr. Genti Beqiri, Head of AIDA, delivered a brief presentation on investment in Albania and the implementation of strategic investments law by presenting four concrete projects applying for special status as foreseen by the law. It was already agreed that there is a pressure on the Government to move faster and respond to the business needs. However there is a common understanding by the government on the necessity to facilitate the procedures and red tape for the private sector such as for example AIDA is undergoing a restructuring phase to fit to its new role as a unique window for investors.

a) Number of announced Greenfield projects



Source: UNCTAD

b) Value of announced greenfield projects (mln USD)



Source: UNCTAD

Approved Recommendations

Six recommendations in total were elaborated for the government bodies such as Ministry of Economy, Ministry of Finance, Ministry of State for Local Issues, and Ministry of State for Social Affairs etc. The recommendations were divided in two main pillars:

- I. **Concrete Incentives**, such as:
 - a) Support to AIDA in offering promotional products for investors.
 - b) The provision of tangible incentives to investors and businesses as well as publication of an [incentive map](#) for investors online, including public properties.

- II. **Investment Climate**, such as:
 - a) Government and business should work more to establish a competitive workforce that is qualified and certified on specific technological processes on a regional and global context.
 - b) A better inter-institutional coordination to allow flexibility in communications with the business, as well as transparency by early inclusion in the drafting of acts that have an impact on the business
 - c) An essential review of the tax legislation to reduce bureaucracies and to ultimately stabilize it
 - d) The establishment of pilot zones for investments in tourism based on economic and urban development plans is recommended.

Submission of the Recommendations to the State Institutions:

As by standard procedure, all related materials were submitted to the Prime Minister's Office. Moreover, the corresponding recommendations were forwarded to the relevant authorities including Strategic Business Investment Unit, Mr. Adrian Kamenica, Prime Minister's Office, Head of Cabinet, Ms. Vali Bizhga, Minister of Finance, Mr. Arben Ahmetaj, Minister of Social Affairs and Youth, Mr. Bledi Klosi. This meeting, has generated a lot of debate among the business and government, especially as relates to the incentive options offered by some neighbouring countries such as tax on re-invested earnings, or preparation of prefeasibility projects for AIDA, etc.

Click on the following, for more information:

[Agenda of the IC Meeting V](#)

[PPT Presentation by Head of the Secretariat](#)

[Technical Note prepared by the Secretariat on Incentives for Investments](#)

[Annex 2. Comparative Matrix of Incentives for Investments](#)

[Annex 3. Legal Framework on Investments in Albania](#)

[Matrix of Recommendations on Incentives for Investments](#)

Minutes of the IC Meeting VDecision of the IC Chair

5.3 MEETING VI – FOR FORMALISATION OF AGRICULTURE: THE WELL-FUNCTIONING OF THE VAT

The IC Meeting VI was held on June 29th, 2016, at Tirana International Hotel. Main objective of the analysis was to highlight main problematic issues for the well-functioning of the VAT Compensation Scheme, in the framework of promoting investments in the sector of agriculture.



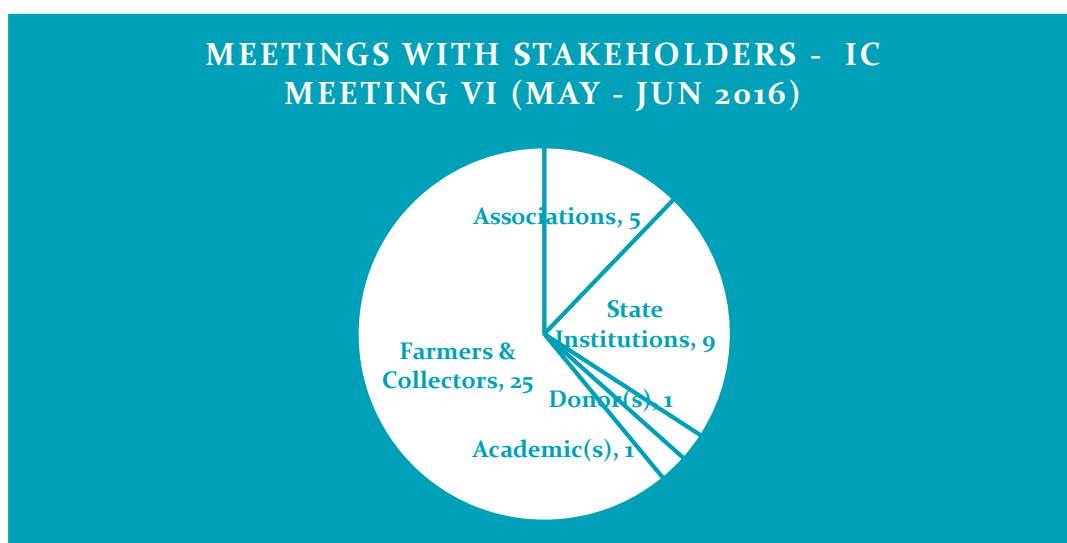
Picture 5. Investment Council Meeting VI, June 29th, 2016

Preparatory phase

The topic was approved by the IC members in the IC Meeting III (15 December 2015), “Informality – a Common Government - Private Sector Challenge”, where it was agreed to provide a sectoral approach to address informality, pointing out agriculture sector. The sector has contributed to about 25% of the GDP during 1996 – 2014 and employed about half of the workforce. But, the sector continues to face a widespread informality in all the chain of the production, collection, processing and trading of agricultural and livestock products. The analysis of the Secretariat was focussed on the Government initiatives for the provision of Taxpayer’s Identification Number (TIN) to the farmers, the 20% VAT compensation scheme for agricultural producers and the government financial support to the sector. The aim was to understand the impact of such measures in formalizing the sector and contributing to investments and food safety, but also generate constructive dialogue among government officials and business community on the effectiveness of anti-informality campaign in the sector.

Methodology & Consultations

For the purpose of the analysis a number of legal and political documents of the Government on Agriculture were reviewed. In addition, statistical data from official sources on the agriculture sector production were collected. Moreover, about 30 meetings were held during May – June 2016 with businesses, business associations, government institutions, donors through semi-structured interviews. Two focus groups meetings were organized: one meeting with farmers and collectors of vegetables (22 participants) in Samatica, Berat, and another meeting with fiscal and agriculture experts (12 participants) in Tirana.



Graph 1. Consultation with Stakeholders in the framework of IC Meeting VI

Additionally, the Secretariat took part in a discussion meeting on the formalization problems in agriculture, organized by the Albanian Agriculture Council and attended by circa 25 farmers and relevant associations in Saranda, in the presence of the Minister of Agriculture and representatives of structures of agriculture and taxation.



Picture 6. Secretariat participates in a meeting with farmers in Saranda, June 4th, 2016



Picture 7. Secretariat meets farmers in the village of Samatica (Berat), June 6th, 2016



Picture 8. Focus Group Meeting, June 17th, 2016

Organization of the IC Meeting

The meeting took place on 29th June 2016 in Hotel Tirana International. The meeting was chaired by the Head of the IC, Minister of Economic Development, Tourism, Trade and Entrepreneurship. Present in this meeting was also the Deputy Minister of Agriculture, Rural Development and Water Management, Mr. Roni Telegrafi, as well as a group of representatives from associations of agribusiness sector.

In the meeting, were present 15 IC members (5 government representatives, 4 international partners, and 5 members from the business community), while absent Minister of State for Local Government/National Coordinator of the Anticorruption Strategy, General Customs Director and Chairman of Albanian Association of Banks.

The opening of the meeting was followed by local media and broadcasted in Albanian televisions. The findings of the Secretariat generated live discussions not only by members of the IC from private and public sector, but also the international organizations and the invited business agriculture associations, resulting in some additional recommendations aside from those provided by the Secretariat. It was generally agreed that TIN serves as a useful tool to help farmers during “formalisation” process. Additionally, a close cooperation and coordination with relevant government bodies at central and local level remain essential for the success of the formalization process and respect of food safety standards.

At the end of the meeting, IC members approved the recommendations on the topic and agreed to be sent to the relevant authorities.

Approved Recommendations

In total, 16 recommendations were elaborated for the government bodies such as Ministry of Agriculture, Ministry of Finance, National Food Authority, General Directorate of Taxes, Minister of State for Local Issues, INSTAT, etc. The recommendations were divided in three main pillars:

- I. Decision making/policy actions**
 - a) Connection of the Farmers Register with TIN and with an efficient system of VAT compensation
 - b) Simplification of subsidy schemes for farmers enabling access through submitting the auto-invoice
 - c) Verify, after a period of 1-2 years, the effectiveness of the current threshold for cash transactions.
 - d) Simplification of procedures and online verification for farmers among the governmental agencies

- II. Administration**
 - a) Formalization to be closely linked to traceability, from final products to inputs and services
 - b) Enforcement of the regulatory and monitoring functions, coordination among the relevant institutions
 - c) Active role and cooperation of responsible actors to accelerate the process of land registration

- III. Awareness**
 - a) Special platform (window) of assistance and information to agricultural sector (clarification and awareness on the TIN). Increase dissemination of information and raise awareness among the farmers

Submission of the Recommendations to the State Institutions

Upon official Decision by the Head of IC, recommendations along with other related materials were sent to the Prime Minister's Office. As well as to the relevant state authorities targeted by the recommendations.

Visibility

A press release on the IC Meeting VI was shared in the national media by the Ministry of Economy prepared in cooperation with the Secretariat. Additionally, the materials of the Meetings such as, the Agenda, Presentation, Technical Note, Recommendations and Minutes were published in the IC website. It is noted that written media as well as main TV channels made reference quite frequently to the IC documents and its main recommendations. Additionally, the issue of the TIN issuance became one of the main topics of the political campaign in the country.

Click on the following, for more information

[Agenda of the Meeting VI](#)

[PPT Presentation by Head of the Secretariat](#)

[Technical Note on the Well-functioning of the VAT Scheme](#)

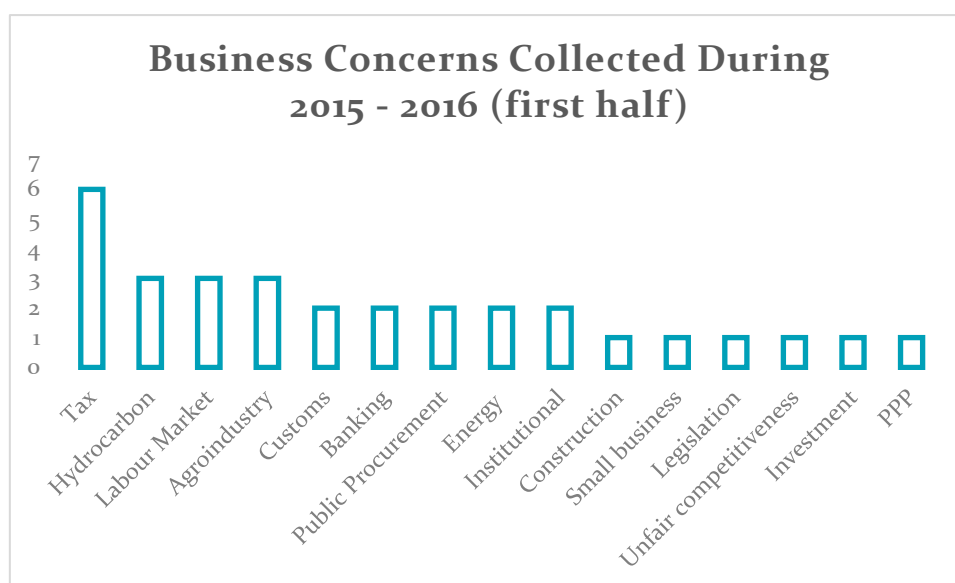
[Matrix of Recommendations on the Well-functioning of the VAT Scheme](#)

[Minutes of the IC Meeting V](#)

[Decision of the IC Chair](#)

VI. CONCERNS COMING FROM THE BUSINESS

As part of its work, the Secretariat collected and elaborated main concerns arriving from the business regarding investment climate in Albania. In total until end of June 2016, the Secretariat collected about 31 concerns, which serves as an “inventory” for elaborating a realistic agenda for IC Meetings for 2017. Voting will be performed online November/December 2016, and the results will be displayed by the end of December 2016. Currently, most of the business concerns collected by the Secretariat are related to the following sectors:



Graph 4. IC Database on Business Concerns aggregated by area/sector, elaborated by the Secretariat

VII. OTHER

Study on Trade Facilitation

In line with a request submitted to the Investment Council by an IC business representatives (subsector of construction), and with the approval of the IC Chair, the Secretariat engaged a short-term expert to handle the issue with different stakeholders of the business community during February – April 2016.

The main problem from the business side – was the high level of taxes (more 30%) paid during trade relations with some Arab countries, increased while high interest to continue business with them as well as high investment national capacities potentials.

The main objective of the report prepared by the consultant was to identify opportunities regarding the initiations of the free trade agreement with Arab countries, as an instrument that would support the current potentials of investment in the local construction sector.

The analysis was submitted by e-mail to the IC Chair Minister Milva Ekonomi on May 17th, 2016. Several consultations have been organised by the ministry with the business community so far in regard. As of today, it is included in the work plan of the Trade Committee for 2017 as part of the policy instrument and connectivity.

Presentation in the IV Financial Forum of Bank of Albania

On 23 June 2016 was held the IV Financial Forum organised by the Bank of Albania and International Monetary Fund, under the special care of the Governor of Bank of Albania, Mr. Gent Sejko. This year, the discussion was focused on the revitalization of crediting, to support the sustainable economic growth.

The forum was attended by high officials of various institutions such as the Bank of Albania, Ministry of Finance, Ministry of Economy, the Financial Supervisory Authority, major banks operating in Albania, the IMF and the World Bank, the European Central Bank (ECB), the European Banking Authority (EBA), the European Bank for Reconstruction and Development (EBRD), International Financial Corporate (IFC), etc. In this Forum, the Secretariat of Investment Council was represented by Ms. Diana Leka.

In her speech, Ms. Diana Leka stated that based on the surveys and analyses conducted by the Secretariat, one of the main problematic issues to the business remains access to finance. More specifically, in the survey organized by the IC Secretariat (October – November 2015) in the framework of Informality in Economy, with the participation of around 100 companies, 'Access to Finance' came out as the main problematic issue, followed by the fiscal package and number of taxes. In conclusion, Ms. Leka raised some questions for discussion in regards to the reasons why there is a non-satisfactory level of crediting in Albania.

This forum served as a platform to exchange views and to present attitudes in relation to the main problems of the banking and financial sector in the country.

VIII. OPERATIONS OVERVIEW

Little resources while important activities, and producing a great number of documents remains quite challenging for the IC in 2016.

SUBCONTRACTING OF SHORT-TERM EXPERTS

Remains unclear the subcontracting procedure of short-term experts as the Secretariat is not a legal entity with the right to enter into any kind of contractual agreement. Some assistance is required from EBRD procurement office.

INTERNS

In order to cover the high volume of the logistical work, especially during the organisation of the IC meetings, including timely translation and publication, Secretariat has initiated a process of engaging interns. So far, three interns are engaged in supporting our work focusing more in logistics, data entry, public relation, and extraction of survey's data. Based on the positive experience, and including the affirmative feedback from EBRD HQ, the Secretariat intends to open a call for interns which will be displayed under IC web site. This could serve as a base, for any upcoming collaboration opportunities with Universities and think tanks in 2017.

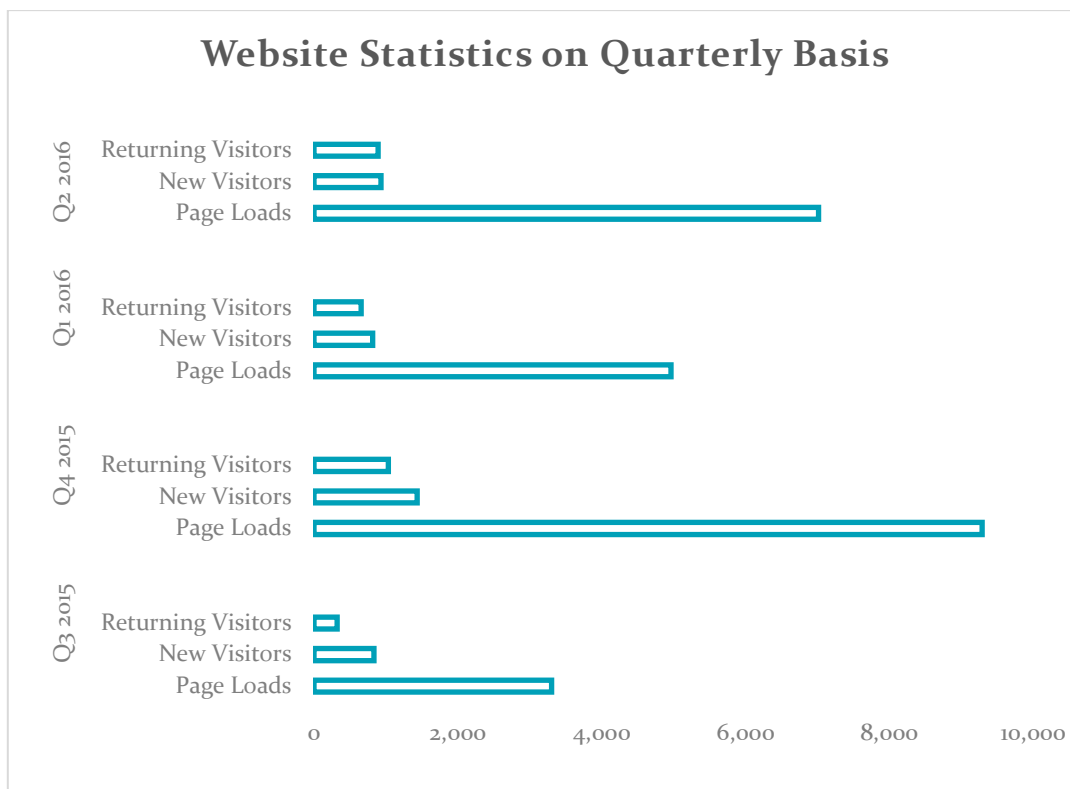
KEY REPORTING MILESTONES

We are working on a more detailed work program for 2017, aiming to identify annual needs, costing and then moving on with procurement and recruitment.

IX. COMMUNICATION AND PUBLICITY

INVESTMENT COUNCIL WEBSITE

The IC Website has been managed by the Secretariat since its launch in July 2015. The website provides essential information about the Investment Council such as IC meetings (agenda, minutes of meeting, PPT presentations, technical notes etc.), press releases after every IC Meeting, IC & Secretariat's activities such as important meetings with stakeholders and focus group meetings, publications in the media, etc.



The main audience of the IC website seems to have been already established, as many institutions and stakeholder often visit the website, especially regarding the IC Meeting's materials. In addition, it is to be noted the improved website SEO.

2015 IC NEWLETTER

The 2015 IC Newsletter was distributed to over 150 stakeholders by mail and post. It had a big outreach and many good comments were received on the content and transparency of the work. The newsletter raised substantially the visibility of the IC, and in the following the Secretariat was invited to meet with important foreign embassies, institutions, etc.

NEWSLETTER
2015

NEWSLETTER
No. 1

IC
Albanian Investment Council



Investment Council, a Bridge between the Government and the Business

The Investment Council was established on April 15th, 2015, to become constructive dialogue and exchange of views between the government and private sector in the area of investment climate and anti-corruption. A new platform established by the Albanian authorities with the support of EBRD.

"The Investment Council is an initiative, not for the purpose of copying another mechanism in the international arena, but to establish a mechanism, which relies on the support and expertise of the EBRD and enables us to address directly the entrepreneurs and professionals to seek together solutions, in order to facilitate the investing process in our country," said the Albanian Prime Minister, Mr. Edi Rama in the ceremony organized for the establishment of the Investment Council.

The work of the Council is supported by the Secretariat, an independent body of professionals, selected and hired by the EBRD, to directly engage with the business community. The initial funding (three years) for the Secretariat is provided by the EBRD with the support of the Italian Government.

According to Ulrich Müntz, EBRD's Director for the Western Balkans, "Improvement of the business climate is already at the heart of the economic agenda of the government. EBRD is proud to be taking an active role in setting up the Investment Council, to create a platform for public-private dialogue and improve the investment climate."

Deregulation Reform, Less Bureaucracy for the Business

Since its first meeting, the Investment Council discussed unification of the National Register Centre and National Licensing Centre, as an important part of the deregulation reform undertaken by the Government in the framework of the business climate improvement of the country. Main objective – facilitation of procedures and reduction of the bureaucracy for businesses. It focuses on:

- 1) The reform of the sub-institutions issued by the Ministries and the subordinate institutions, completed in March 2015;
- 2) The reform of licensing and permits and the establishment of the National Business Centre (NBC). The latter ones will set up based on Law No. 131/2015 which unifies in one single institution National Register Centre and National Licensing Centre.

Benefits of NBC:
A one-stop shop for the registration and licensing of businesses.

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X. WORK PROGRAMME FOR JULY – DECEMBER 2016

1. Access to Finance

Action	Aimed Results	Institution/Organization Responsible for Coordination	Other Related Inst./Org.	Proposed Calendar
<p>a) Tentative summary report on the EBRD Study; b) Short PPT Presentation.</p>	<p>This subject will be tackled following the subject discussed in the IC Meeting no. 6 held on 29 June 2016, where were discussed the issues of formalization in the sector of agriculture. In the Meeting No.6 it was noticed a high interest by the members and stakeholder on the real issues of interest to the agriculture sector, and in particular the access to finance.</p> <p>a) Objective: - Analysis of the problems and specifics of the agriculture sector in Albania in the framework of the implementation of the Technical and Financial Assistance from EBRD/Donors etc.</p> <p>b) Actions: - Findings on the impediments of the value chain in the observed sub-sectors considered as priority; - Presentation of the difficulties in the growth of the agriculture sector and its limitations; - Presentation of the recommendations for the implementation of the Technical and Financial Assistance of EBRD and specific sub-sectors which are considered as more favourable to be object of financing and investment.</p>	IC Secretariat/EBRD	MoARDWA/MEDTTE/EBRD Consultants/EBRD Agriculture Team/IC Secretariat	9/29/2016

2. VAT Reimbursement

Action	Aimed Results	Institution/Organization Responsible for Coordination	Other Related Inst./Org.	Proposed Calendar
<p>a) Summary Report</p> <p>b) Online Survey</p> <p>Presentation of Survey results</p>	<p>Late and selective reimbursement of VAT has been a concern for businesses until 2013. This has become an impediment especially for exporters (e.g. agriculture, façon etc.), which not being able to recover VAT, have had limited capacities to invest. This issue has been tackled by a range of legal initiatives during 2014-2016 which aim to simplify the terms and procedures for the businesses which apply for VAT reimbursement as well as with the implementation of a new automatic system for VAT reimbursement.</p> <p>a) Objective:</p> <ul style="list-style-type: none"> - Analysis of implementation progress in practice and efficiency of above measures. <p>b) Actions:</p> <ul style="list-style-type: none"> - Launching of an online survey for the business based also on the analysis developed by the Secretariat in October 2015 "On Tax Inspection" and in December 2015 "On Informality". - Approach certain businesses and business associations in this process. Consultation with actors and focus groups. - Data regarding VAT reimbursed amounts to business in years from the Ministry of Finance and/or GTD. 	MoF, GTD	Albanian Union of Producers/AmCham/Association of Exporters/Chamber of Facons	23/11/2016

3. Professional Skills of the Work Market and Business Needs

Action	Aimed Results	Institution/Organization, Responsible for Coordination	Other Related Inst./Org.	Proposed Calendar
<p>a) Summary Report b) Recommendations for legal, administrative or regulatory changes; c) Online survey</p>	<p>One of the factors highlighted by the businesses as an impediment for growth and development is lack of qualified work force. The latter one is considered as an important element for a competing and attracting environment for new investments. Albania is considered as in advantage compared to other regional countries re low labour cost (salaries and social and health contributions), but it there is a wide issue in finding qualified labour skills, certified for specific technological processes, mainly for professions of medium level. Meanwhile according to IMF unemployment rate among youth has amounted up to 34% by the end of 2014 where it is thought that one of the main reasons is lack of adequate education. In addition lack of trained employees is more visible in sector such as manufacturing and tourism rather than trade or construction.</p> <p>a) Objective: - Analyse solutions for reducing the gap between available work force in Albania and qualified workforce necessary due to new and innovative investments, necessary for the economic growth and lower employment.</p> <p>b) Actions: - Identification of priority sectors for development and exports (new business trends). - Analyse skill gaps in these sectors, a comparative review in the regional and international experiences for promotion of employment and professional education. - Launch of an online survey and organisation of individual meetings and in group with businesses, business associations, public institutions and experts in the area.</p>	<p>Ministry of Social Affairs and Youth/National Employment Service</p>	<p>Business Associations/Ministry of Economy/AIDA</p>	<p>23 Feb 2017</p>

XI. IMPORTANT FIGURES JUNE 2015 – JUNE 2016

