

## MATRIX OF RECOMMENDATIONS

### “PRIVAT SECTOR CHALLENGES: FISCAL ADMINISTRATION, INNOVATION AND PRODUCTIVITY

March 2024

This matrix of recommendations aims to summarize the recommendations and solutions proposed in the Technical Note and serves as an Internal Plan for monitoring from AIC secretariat team to follow up their implementation.

The following recommendations are the result of the analysis and consultations of the IC Secretariat with a significant number of actors and experts in both the private and public sectors on the topic, referring to (1) stimulation of the debate on the main challenges of entrepreneurship (mainly MSME ) to investing in innovation and productivity, looking at the context of interaction with the tax administration and the impact of fiscalization reform b) the identification of interventions in a cross-sectoral level of fiscal policies and fiscal administration, as well as company productivity.

Intervention / Recommendation	Responsible institutions/ Institutions included in implementation	Term
<b>Recommendation 1. Approval of a Strategy on Revenue Collection as a comprehensive document for all the stakeholders in public and private sector.</b> Such strategy should be subject to a prior consultation process and discussion with the public (businesses, associations and chambers of commerce, academia, think tanks, partners for development and international institutions). It should be able to clearly underscore the goals, objectives, and actions at medium-term which shall facilitate its periodical monitoring and institutions’ accountability on the use of taxpayers’ money. The strategy should not only aim at revenue collection, but also productivity and competitiveness improvements through better tax administration and the right dispersion of the tax burden. The strategy goals must be harmonized with the sectoral strategies, the 2024-2026 Economic Reform Program and the Growth Plan.	MF GDT	Medium-term
<b>Recommendation 2.</b> To further stimulate business innovation by releasing funds at the firm level to boost capital/technology investment, <b>relevant analyses should be initiated focusing on: (a) accelerated depreciation (b) supplementary depreciation (c) recognition of sponsorships and donations for Research and Development (R&amp;D) as eligible deductible expenses</b>	MF MEKI GDT	Medium-term
<b>Recommendation 3. Ensuring fiscal stability – coherence and consolidation of tax procedures through a new law.</b> The new law should unify all the tax procedure practices currently envisaged by several laws, by-laws, and regulations applicable at both central and local level. The adoption of the new law should aim for the endorsement of best practices	MF GDT	

<p>related to the organization of tax administration operations as envisaged by OECD and should be associated with a detailed Commentary that provides for clear tax rulings, directly applicable to business scenarios. Without prejudice to the options at the disposal of legislators, the new law should be the outcome of a comprehensive and large-scale political agreement, and possibly at the level of the Code (like the Customs Code).</p>	<p><b>Parliamentary Commission of Economy</b></p>	<p><b>Medium-term</b></p>
<p><b>Recommendation 4. Approval of a new Instruction on bilateral agreements for the avoidance of double taxation that shall provide for automation and electronic procedures followed by the businesses and tax administration (like the system on VAT reimbursement).</b> The solution envisaged by the instruction does not necessarily need to be based on a genuine procedure, but to follow an EU country model and update the agreements based on the new formats of documents issued from European Tax Departments as for example Certificates of Residence issued in electronic formats and without inked signatures and stamps. It should be applied rigorously through a dedicated team of experts at the level of GDT.</p>	<p><b>MF GDT</b></p>	<p><b>Medium-term</b></p>
<p><b>Recommendation 5. Given the interaction between fiscal policy, innovation, and productivity it is recommended that productivity should be a guiding principle in designing fiscal policy and direct support to R&amp;D/innovation.</b> The lower productivity of the economy if compared to regional or European economies identifies a space for improvement and calls for urgent policy interventions targeting. Moreover, in-depth sectorial analyses would shed light on regulatory and policy interventions needed to correct resource misallocation and inefficiencies at the sectorial level, with special focus MSME's. We recommend that at least three inter-ministerial working groups with the mandate to perform sectorial analyses on productivity are established at least for the tourism sector, agriculture, and energy and waste management. These analyses could lead to coordinated policy actions on R&amp;D innovation, fiscal measures, and growth rooted in economic productivity. The ICC analyses show that economic productivity could be improved by 24 %.</p>	<p><b>MF MEKI MTM MBZHR MIE GDT</b></p>	<p><b>Medium-term</b></p>
<p><b>Recommendation 6. Sectors with a space for productivity boost through labor productivity are energy, water and waste management, construction, and real estate. We recommend these sectors be put under the focus of the innovation strategy inducing more AI/digitalization in support of labour productivity.</b> The productivity gap at the sectorial level identifies sectors that need to address the productivity of labor while being capital-intensive. Improved labor productivity would improve the return from capital and sector performance overall. These sectors could benefit from digitalization or AI of labor processes as well as from on-the-job training and upskilling of existing labor. <b>Measures to deduct labor expenses or subsidize highly skilled specialists engaged in research and development, circular economy, and renewable energy would pay off in terms of efficiency and productivity of capital-intensive industries.</b></p>	<p><b>MEKI MF MTM MBZHR MIE GDT</b></p>	<p><b>Medium-term</b></p>

<p><b>Recommendation 7. The tourism sector, manufacturing, extractive industries as well as ICT sector, demand more capital to match the labor at the sectorial level and improve productivity.</b> Regulatory measures or standards of operation or fiscal support to release funds within firms, aiming the intensification of capital investments with a focus on innovative and green investments, would lead these sectors toward a more sustainable productivity growth path.</p>	<p><b>MEKI MF MTM MBZHR MIE GDT</b></p>	<p><b>Medium-term</b></p>
<p><b>Recommendation 8. Ministry of Economy, Culture, and Innovation should design and lead an awareness campaign and communicate with businesses and financial institutions to induce more funding and investment toward innovations.</b> There is a strong need to raise awareness among businesses/MSME's on the importance and benefits of innovation and R&amp;D as ways to address low productivity and lack of competitiveness. The insignificant share of financial resources dedicated to innovative investments and R&amp;D is persistent. Policy measures addressing R&amp;D/innovation are intensified, however, more needs to be done to trigger an organizational change at the firm level able to create a mass of innovative investments.</p>	<p><b>MEKI MSHMS AIDA</b></p>	<p><b>Short term</b></p>

<p><b>Suggestions from Members</b></p>	<p><b>Referent subject of the suggestion</b></p>
<p>Setting up a center of innovation and excellence for the private sector to improve competitiveness, since most businesses in the country are small and medium-sized businesses. In countries like Germany, Italy, etc., there are thousands of experts attached to these centers, who, against payment or support of the public-private relationship, offer the business the necessary consultancy. Business needs to be qualified and educated with the way of governance. If we are to encourage SMEs to internationalize, standardization, industrialization and internationalization are required. All three of these phases need to be initiated by the consultancy, and these centers of innovation and existence for the private sector would provide a great impetus.</p>	<p><b>Diaspora Business Chamber</b></p>
<p>Businesses in general do not have all the necessary professional culture. However, there are two sides here: one party is the one making the funding calls, while one party is the one absorbing the funds. If the party absorbing the funds does not understand them, it means that we have not done our mission well. Maybe it's time to have offices in municipalities to help with applications for European funds to increase productivity and avoid favoritism based on personal acquaintance. This would also be in the interest of the government, which wants to increase productivity</p>	<p><b>Association of Accountants</b></p>

There is the necessity to improve financial instruments to support businesses, including the creation of a crowdfunding law and the creation of corporate venture capital to help finance startups.	<b>Minister of State for Entrepreneurship</b>
A strategy is needed to support domestic production and export, which considers support for Albanian producers and investors, e.g. to identify a sector that has investment potential and prepare in advance a complete and specific legal/regulatory package to support the implementation of the project and take into consideration all the challenges related to land, energy, etc.	<b>MEKI</b>
Standardization and quality control of products is needed to ensure that investors have confidence in the local market. Also of great importance is the improvement of the competences of the inspectorates and authorities that supervise standards which are essential for the reliability of the market. A solution must be found to the problem of the lack of protocols and contracts, evaluating this as a challenge and an aspect that affects the interests of all parties involved in the market.	<b>MEKI</b>

### Abbreviations:

Deputy PM – Deputy Prime Minister

MSHMS – Minister of State for Protection of Entrepreneurship

NAIS – National Agency of Information Services (AKSHI)

RTIA - Research, Technology and Innovation Agency (AKTI)

ADISA - Integrated Services Delivery Agency

NBC – National Business Center (QKB)

AIDA - Albanian Investment Development Agency

DAP – Department of Public Administration

AKCESK - The National Authority For Cyber Security And Electronic Certification

MFE – Ministry of Finance and Economy

MBZHR – Ministry of Agriculture and Rural development

AZHBR – Agricultural Rural Development Agenc

GDT – General Directory of Taxes

IEKA - Institute of Authorized Chartered Auditors of Albania

KASH – Albanian Agrobusiness Council

**Term :**

**Short term-** period from 1 to 6 months.

**Medium-term** – period from 6 month to 1 year.

**Long term** – period over 1 year.