IC Albania Investment Council

Improving Transparency and Investment Climate

ACTIVITY REPORT 2020

MARCH 2021

Transforming the dialogue in new formats

IC | Albania Investment Council

Improving Transparency and Investment Climate

Sustaining the dialogue in the 'new normal'!

During this unprecedented year, the Investment Council's meetings remained a great opportunity for all stakeholders to come together and discuss. We reshaped our work methodology and interactions with stakeholders in the context of uncertainties, finding effective approaches to sustain the platform in the 'new normal'. We are aware that our success would not be possible without the willingness and passion of our partners and stakeholders to engage in the topics carefully selected and voted by our members.

The Investment Council (IC) facilitates the development of mutual trust between the business community and government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

IC is chaired by the minister responsible for the economy and is composed by representatives from Government, private sector and partners for development.

IC is supported by the Ministry of Finance and Economy, the EBRD and the Swiss State Secretariat for Economic Affairs (SECO).

ACTIVITY REPORT 2020

Content

IC Albania Investment Council
Improving Transparency and Investment Climate

> "Investment Council is a public-private dialogue platform which has been playing well for several years the role of intermediary by providing suggestions for development policies,"

Minister of Finance and Economy, Ms Anila Denaj
Chair of Albania Investment Council
Tirana, 14 October 2020

Scope of work during 2020

In line with IC's main objective on building trust among main stakeholders and institutionalising the policy dialogue on the investment climate in the country, the work of the Secretariat – an independent body responsible for the analytical work underpinning the elaborations and the organisation of the Council activities - was based on the following pillars:

ANALYSING INVESTMENT CLIMATE ISSUES – based on annual surveys; country-wide consultations in focus groups, desk research *(national and international reports),* overview economic outlook, setting up working groups on priority sectors, etc.

ENABLING CONDITIONS FOR A STRUCTURED DIALOGUE – by preparing an inclusive agenda of topics to be addressed at IC meetings through careful voting and consultation process, ensuring organisation of plenary meetings where representation is ensured by engaging both parties *(public and private),* and debate is inclusive and constructive. In addition, preparing and timely distributing the well-consulted technical documents and following up with minutes, all transparently made available to the public on the IC website.

ADVOCATING FOR UNDERTAKING PRIORITY POLICY ACTIONS – through carefully elaborating and discussing in working groups the priority actions/recommendations to support necessary policy improvements related to investment climate, publishing relevant investment climate interviews in the social media, contributing to different business association events focusing on investment climate, cooperating with universities and other platforms, etc.

SYSTEMIC MONITORING OF IMPLEMENTATION OF IC RECOMMENDATIONS and following up with the relevant authorities, including also the setup of a result-measuring database. This year, the Secretariat has further consolidated the reporting tools on monitoring IC recommendations by reporting the respective progress to the members twice annually during IC plenary meetings, followed by the publication of respective summary documents on the progress of recommendations' implementation.

Introduction

The Investment Council (IC) enables and facilitates the institutionalization of policy dialogue and the development of mutual trust between the business community and Government in Albania. It contributes to the national reforms and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency. In spite of the extraordinary health crisis caused by the Covid-19 pandemic during 2020, the IC continued to be perceived by both the businesses and Government as the most constructive platform for public-private dialogue in the country.

During this year, the Secretariat prepared **3** technical analyses with valuable input by its members and stakeholders and **1** summary of proposals based on suggestions received from several chambers of commerce & business associations for overcoming business main issues caused by Covid-19, while it conducted **1** nation-wide survey with the participation of **833** businesses regarding their perception "On Covid-19's Impact on the Business" and **1** questionnaire with **37** agro-processing companies to identify investment potentials in the sector.

109 business representatives participated in all IC meetings, working groups and other roundtables organized by the Secretariat, while the total recommendations adopted by the Government by the end of 2020 reached **94** out of 245 recommendations issued by the IC (2015-2020).

Focus of IC work during 2020:

- *Local taxes and the interaction between the businesses and municipalities*
- *Covid-19's impact on businesses & measures for the economic recovery in the country post-COVID-19*
- *Stimulation of investments in the agro-processing sector*

This report presents an overview of the main activities performed by the IC as well as the results of its work in tackling various investment climate issues of high interest to the government and private sector.

Main highlights of IC and its Secretariat's work during 2020:

» The proactive role of the IC Secretariat in launching the first country survey on "Covid-19's Impact on the Business";

» The timely distribution to IC members and partners (as well as publishing for the general public) of summarised updates on legal measures taken during the emergency situation;

» Two ad-hoc plenary meetings to identify the impact of Covid-19 on the business and the options for the recovery of the economy post-Covid-19;

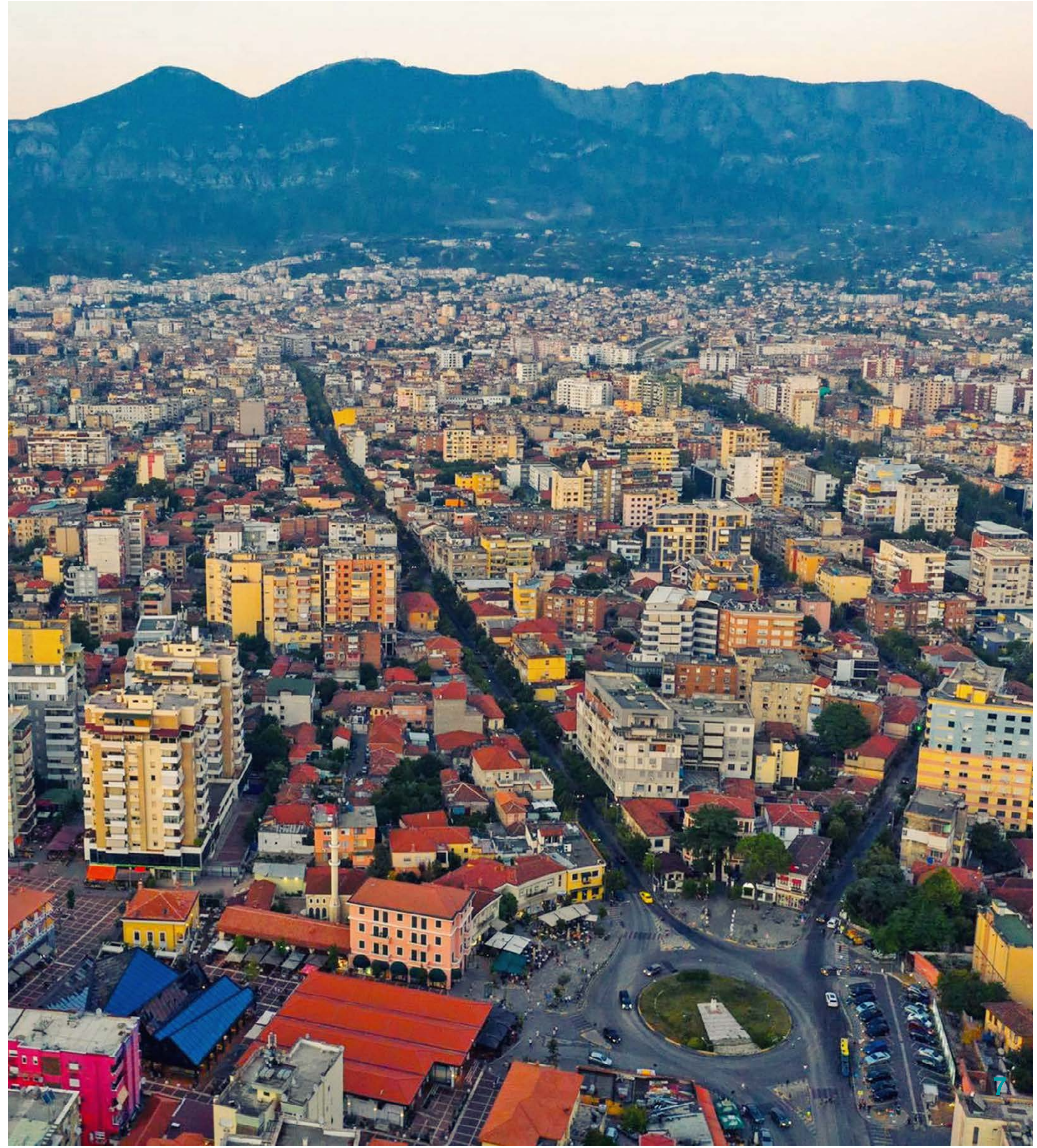
» Facilitation of five working groups (6 meetings attended by more than 54 participants), established between the Ministry of Finance and Economy (MFE), Ministry of Infrastructure and Energy (MIE), and Ministry of Agriculture and Rural Development (MARD) as a follow up of the IC recommendations;

» Consultation of important legislation and strategy pieces such as the Law "On the Support and Development of Innovative Start-ups" upon a request by the Ministry of State for the Protection of Entrepreneurship, also a member of the IC.

During this extraordinary year, it is noted the full commitment and availability of the IC Chair for the plenary meetings, and a high level of participation of IC members (97%) and their contribution, followed by an increased number of observers, reaffirming their engagement to the platform.

During 2020, the IC aligned its work to the country's policy response by delivering analytical work, engaging in dialogue with influential stakeholders, and following up with actions and advocacy. The IC endorsed 57 new recommendations (in 4 plenary meetings). What needs to be highlighted is an acceleration in the "implementation time" of the IC recommendations; for example out of 25 recommendations implemented (to an extent of 70-100%) and 13 in process during 2020, 8 were issued in 2020 and 9 in 2019.

All information in this document reflects the activities for the reporting period only.



Timeline

of main activities during 2020

January (01)
- IC Meeting XIX “On the Interaction between the Business and the Municipalities”

February (02)
- First Meeting of the Working Group on the Blocking of Bank Accounts
- First Meeting of the Working Group on Energy
- First Meeting of the Working Group on Local Taxes

March (03)
- Launching of the IC Survey "Covid-19's Impact on the Business"

April (04)
- IC Meeting XX “Covid-19’s Impact on the Business”

May (05)
- Closing of the IC Survey “Covid-19’s Impact on the Business”
- First Meeting of the Working Group on Agro-processing

June (06)
- IC Meeting XXI “On Economic Recovery Post-Covid-19”
- Participation in the EBRD-ICs Supported Conference
- Second Meeting of the Working Group on Agro-processing
- First Meeting of the Working Group on ICT (Digitalization)

July (07)
- Second Meeting of the Working Group on ICT (Digitalization)

August (08)
- Third Meeting of the Working Group on Agro-processing

September (09)

October (10)
- Second Meeting of the Working Group on the Blocking of Bank Accounts

November (11)
- IC Meeting XXII “Stimulation of Investments in Agro-processing”

December (12)

Investment Climate

Coping with two consecutive civil emergencies, the November 2019 Earthquake and the Covid-19 pandemic, significantly lowered Albania's economic growth forecasts during 2020. In its Regular Economic Report (Fall 2020[1]), the World Bank forecasted a decline in country's real growth of 8.4%, while the EBRD in its Regional Economic Prospects[2] forecasted a 9% decline. Despite initial projections, the Albanian economy fell by only 3.3% during the year 2020, compared to the previous year, based on preliminary data from INSTAT.

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Inflation remained below the Bank of Albania target of 3%, and recorded 1.6%, up with 0.2 p.p. compared to 2019. FDI inflows fell by 13.1% compared to 2019, while the FDI stock increased by 8.2%[3]. The Netherlands continued to be the leader in FDI inflows for two years in a row, albeit, at a decreasing pace. Electricity, gas, steam and air conditioning supply continued to be the most attractive activity for FDIs. Albania ranked second in the region for FDI with 7.9% of GDP. The unemployment rate increased during 2020, by 0.2 p.p. compared to 2019.

Covid-19 crisis*:* As of March 2020, the government reacted to the Covid-19 pandemic and took stringent measures to manage the crisis with the purpose of limiting human and financial losses. It issued a series of decrees subsequently endorsed by the Parliament. The State of Emergency for Natural Disaster, put in place after the November 2019 earthquake, was extended until June 2020. *Legal/Regulatory Dynamics:* Since 9 March 2020, a number of escalating measures were taken in Albania. The dynamics of changes in laws and by-laws were very fast. Such measures were initially of restrictive nature and later of alleviative nature, aiming to control the epidemic situation, reduce the number of people infected by Covid-19, and eventually better monitor the situation. The dynamics of newly-undertaken laws and bylaws affected the activity of central and local administration institutions, as well as many other independent institutions.

Economic*:* More than 50% of all economic activity continued at reduced capacity, despite the lockdown[4]. Economic activity returned to normality for most of the activities by 1 June. In response to Covid-19's impact on the economy, the government adopted two support packages for people and businesses affected by the Covid-19 pandemic of a combined size of ALL 45 billion (2.8 percent of GDP) consisting of budget spending, sovereign guarantees and tax deferrals[5]. To assist businesses and stakeholders with the frequent ongoing updates, the Secretariat prepared an 'information corner' on the IC website with updated information on the applicable legal & regulatory measures taken in regard, eventually coming with a consolidated report summarizing all the acts & measures taken until August 2020.

1 https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report

2 https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html

3 For more Information: https://www.investment.com.al/albania-economic-outlook/

4 https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

5 EBRD Transition Report 2020-21 "The State Strikes Back", Country Assessment: Albania

The Government and EBRD renewed their commitment to continue to support the Investment Council in the new MoU signed with the aim of EBRD to support the Albanian accession to the EU.

Legal*:* Pursuant entry into force of Law 71/2019, the Albanian Investment Corporation was established as a joint-stock company in the National Business Centre on 15 July 2020. The legal package for the fiscalization form introduced in 2019 was finally consolidated during 2020 and its B2G e-invoicing started in 1st January 2021. Additionally, the GoA amended again the duration of Law 55/2015 "On Strategic Investments" until 31 December 2021. Finally, by the end of 2020, MFE and the Ministry for the Protection of Entrepreneurship launched for public consultation a draft *"For the Protection and Development of Innovative Start-Ups"* which was also broadly consulted through the Investment Council.

Political: Parliamentary activities were affected by the opposition relinquishing their mandates. Institutional continuity was still ensured through the gradual filling of vacant parliamentary seats. New Elections Code and amendments to the Constitution related to the election system were approved in the light of the upcoming political elections to be held on 25 April 2021. The year 2020 ended without conclusions from the EU on enlargement, negotiating framework or the first membership conference for Albania and North Macedonia.

Plenary Meetings

How transparency on local taxes & fees and impartiality on the decisions of municipal councils would strengthen the relationship with the private sector?

Despite the progress made in the Administrative-Territorial Reform, there are still unresolved challenges for local self-government units. Good fiscal management is an important precondition for local economic development and investment promotion. Local economic development is a strategic partnership process that helps: a) increasing productivity (a key economic objective) by promoting investment in new or existing businesses with high growth potential; and b) creating local conditions to ensure sustainable growth over the local/national economy (e.g. infrastructure, water, energy, etc.). In this sense, economic development at the local level helps to lay the foundations of local and national prosperity.

» **What** are the main business challenges when interacting with municipalities?

» **How** fair is the ratio cost/quality in local services?

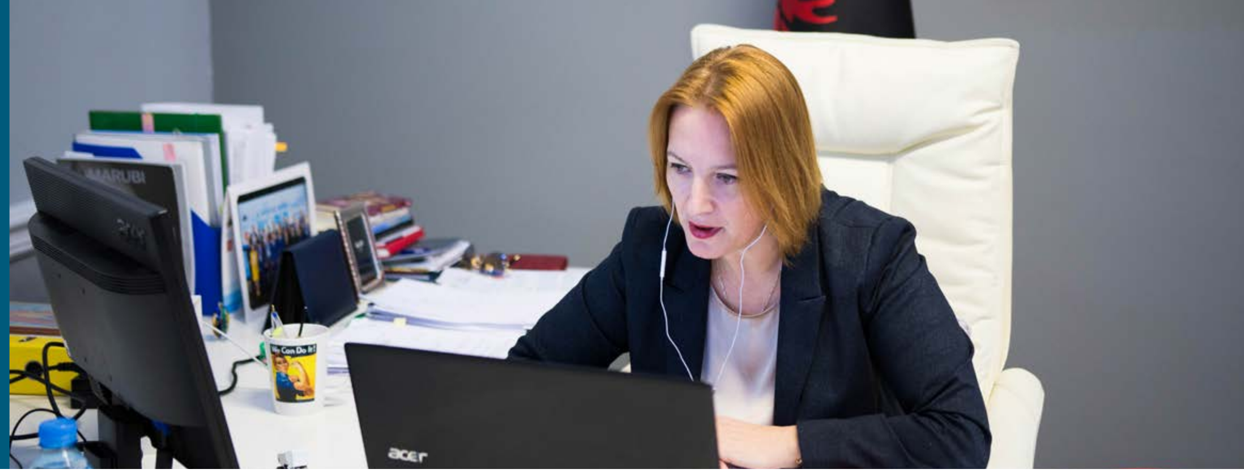
» **Should** businesses be included in the municipal decision-making?

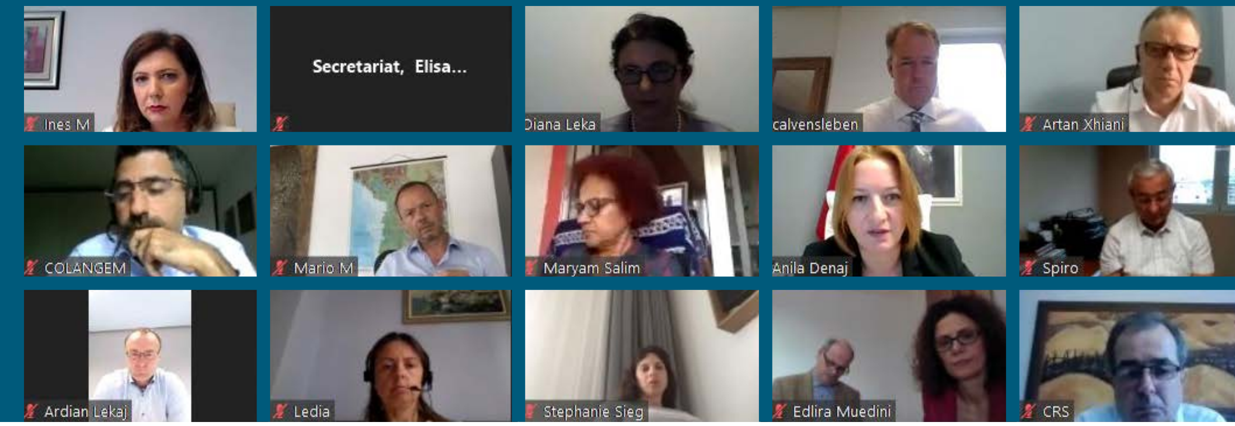
MAIN RECOMMENDATIONS

- Harmonization of legislation in the area of local taxes and tariffs with the new legislation on local self-government.
- Publication and increasing of transparency on local taxes and fees for businesses.
- Preparation and publication of an easily accessible dedicated section on administrative appeal procedures within local self-government units.
- Digitization of administrative services at the local level in the context of the deregulation reform.
- Registration in the National Agency of Cadastre of immovable properties under the administration of municipalities.

“Due to unclear administrative acts issued to the business for the payment of liabilities, businesses are forced to spend a lot of time waiting for solutions by the municipalities themselves, and in some cases to appeal to courts where the review time is lengthy. Meanwhile, by law, the business is obliged to pay in advance the pertinent liability or is penalized with the freezing of the bank accounts of both the company and the administrators. Confindustria’s members are willing to cooperate with the central and local structures to find an optimal solution.

ALTIN IBRO,
Confindustria Albania, 27 January 2020





How the Government and the private sector can join forces during the Covid-19 pandemic?

The measures taken by the Government of Albania on the prevention of the spread of Covid-19 directly affected the activity of private enterprises in Albania. Given the unprecedented situation that businesses had to experience, representatives of chambers of commerce and business associations brought concrete proposals to facilitate companies to overcome the situation through specific interventions.

» **What** are the business perceptions about the financial and economic measures taken by the government to cope with the consequences of the pandemic?

» **Why** public-private dialogue is vital during crisis times?

MAIN SUGGESTIONS

- The volume of sovereign guarantee is small in comparison to the business needs for longer warranties/collateral. Associations/chambers of commerce in cooperation with central institutions to find the right mechanisms, calling on international organizations to provide donations and funding needed by the enterprise.
- Both local and central governments should postpone fiscal obligations, so that there would be no obligations in the fiscal system, respecting thus also the contracts for public works which are in operation.
- All businesses, regardless of size, should have access to Covid-19 Emergency Funds in order to continue their activity during the pandemic. Loans that will be guaranteed by this fund should be allocated at minimum or zero rates of interest, taking into account that the guarantee fund helps financial institutions to significantly reduce their risk.
- The Government is encouraged to consult with stakeholders before making decisions with important consequences for businesses. Representative business organizations are necessary during this crisis and should be part of the discussion table. Their input will significantly increase the quality and durability of laws and at the same time the efficiency of measures in the long run.
- To immediately guarantee the liquidity of companies affected by the epidemiological emergency, through the suspension of taxes and contributions.

> *Business associations and chambers of commerce in cooperation with the central institutions should find the right mechanisms to overcome the crisis. There are around 43,000 companies with a turnover of over 14 million ALL per year. Only 1,000 companies are large (VIP) ones, 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.*
>
> **NIKOLIN JAKA,**
> Tirana Chamber of Commerce and Industry, 14 April 2020

What should be in the focus of the future policy reforms to address business concerns post-Covid-19– liquidity, employment, fiscal burden, digitalization, attracting FDIs, etc.?

Upon request of the Investment Council Chair, the members and partners of IC decided that the government's future measures should be seen in a broader framework, in the medium and long term. The aim was to address not only the immediate business needs in terms of liquidity and employment, but also to determine the re-dimensioning points of the country's economic development, sources of growth and public revenue collection, assessment of fiscal interventions and recovery of priority sectors for a period of at least 5 years. This was in line also with the ambitions and commitment of the Albanian Government to present within June 2020 the plan of economic recovery and specifically of priority sectors such as tourism and manufacturing.

» **Which** scenarios could restart the economy post-Covid-19?

» **How** the formalization of the economy would have substantially mitigated the negative effects of the crisis?

MAIN SUGGESTIONS

- Drafting an encouraging policy for attracting foreign investment "Albania-The Gateway to the Balkans".
- Development of a long-term strategy to reduce informality to avoid unfair competition and promote e-payments, for minimizing cash payments while reducing informality.
- Development of proactive policies post COVID-19 with a focus on training the workforce, being an important factor for promoting sustainable investment.
- Establishment of a 500 million EUR guarantee fund to credit priority economic sectors, set up with government and donor contributions to facilitate credit access for businesses operating in the tourism sector, manufacturing, agriculture, services, transport and specifically for women entrepreneurs, etc.

> *The technical note prepared by the Secretariat is well-structured and it brings forward interesting proposals. The tourism sector needs to focus on expanding demand and incentivizing tourists. Moreover, e-commerce and the increase in the provision of online public services (e-signature, etc.) are a must to move forward.*
>
> **MARYAM SELIM,**
> World Bank, 5 June 2020

How can we increase value-added for Medicinal Aromatic Plants (MAPs), Nuts and Fruits/ Vegetables to showcase Albanian products competing in the regional and world markets?

Agro-processing industry is considered as having good potentials for investment, especially the vegetables, fruits and MAPs value chains. Among the selected products, chestnuts, tomatoes, and MAPs are considered as the three top products having the most potential for agro-processing. Companies demonstrate high trust in the potential of the agro-processing sector and are willing to invest in the expansion of processing capacities. Most of the exporting companies and supermarkets confirmed their willingness to increase the domestic procurements if local suppliers could ensure higher quantities at required standards and competitive prices.

MAIN RECOMMENDATIONS

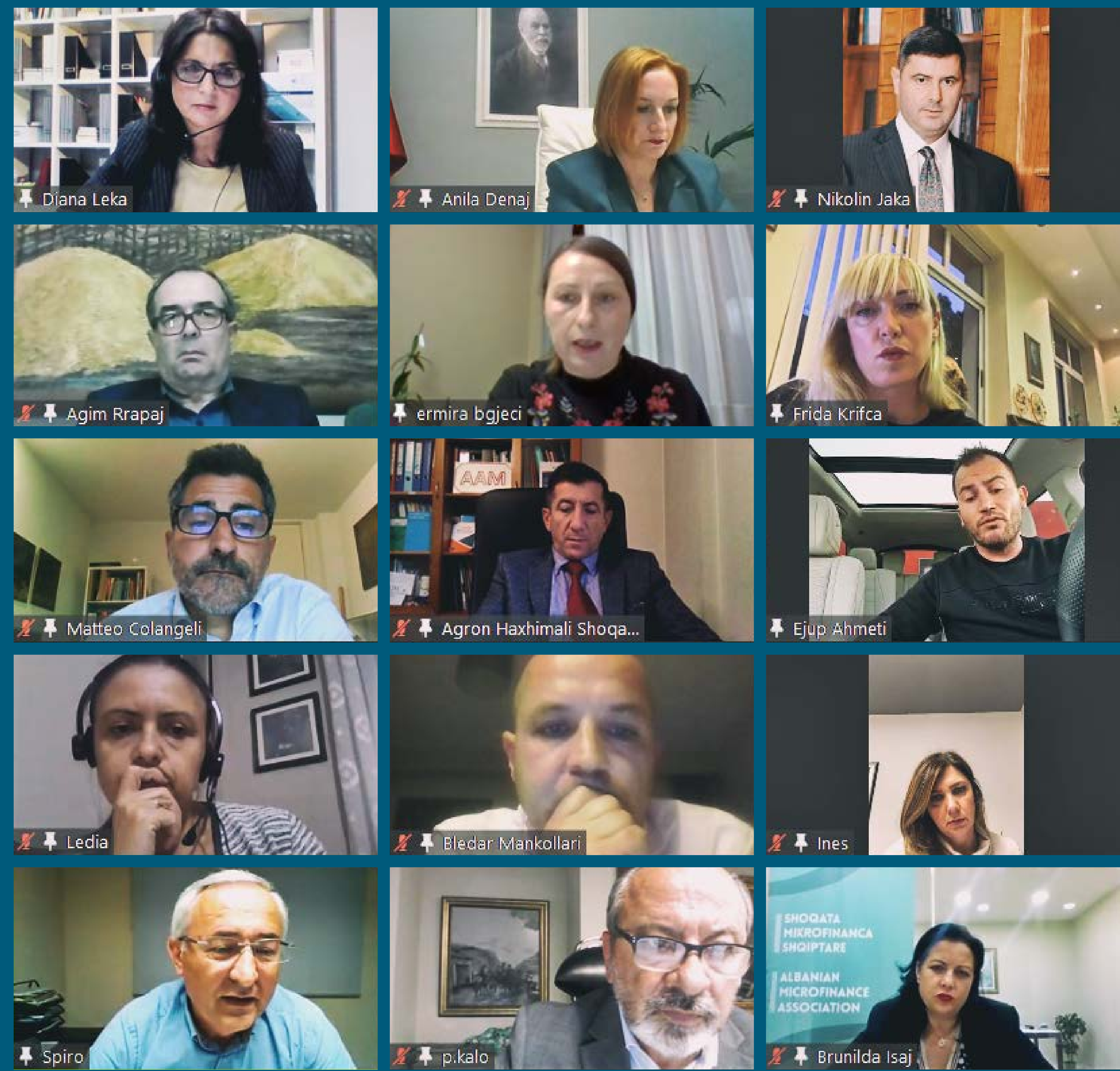
- To incentivise better cooperation among farmers, it is recommended to introduce incentives and support schemes targeted to these four sub-sectors.
- Stimulating the increased value chain integration and supply of raw materials through contract farming and large-scale production.
- Creation of a Market Intelligence Unit (possible within AIDA, ARDA or other institutions, such as Agro University) to secure the updated information on current domestic and external market needs in terms of products in fresh use or in the processing industry.
- Diversification of supporting grant schemes as well as banking products addressed to agriculture subsectors.
- Creation of insurance coverage schemes for agriculture products by introducing the state as an intermediary.

» **What** interventions (government-business-donors) at sectorial level can speed up the agro-processing SMEs to expand current and/or new investments?

» **How** to maximize country's potentials with a focus on the country's image, market functioning schemes, import substitutions, informality, increased access to finance, work force development?

"Perhaps it is time to create an agency to promote/review the schemes or policies for the purpose of promoting the export of products "Made in Albania". Unlike AIDA (which can continue to be an agency focused on the attraction of new investments), the new proposed structure should deal only with the products "Made in Albania" and export promotion, founded upon supportive legislation and with a 10-year economic development plan— devised in cooperation with the business.

INES MUCOSTEPA,
UCCIAL, 10 November 2020



Promoting Inter-Institutional Collaboration through Coordination of Working Groups in Priority Sectors of the Economy

A special focus was put during this year on the coordination and follow up of the working groups (WG) in specific sectors, to timely deliver outputs. In January 2020, by joint orders between the Ministry of Finance and Economy with the Ministries of Infrastructure and Energy, Agriculture and Rural Development, three working groups were formalized, respectively, in the area of energy, agro-industry, and digitalization. The Secretariat closely monitored the progress and facilitated the institutional collaboration through these WGs. Also, at the request of the IC chair, the Secretariat was engaged in the creation of two other working groups to accelerate the implementation of some specific recommendations from the IC meeting "On Cooperation Municipality-Business." The engagement of the Deputy Ministers acting as heads of the respective working groups, including the respective technical staff helped to overcome any delays under the crisis situation, especially as relates to the timely feedback and progress against deliveries.

During 2020, the Secretariat facilitated the work of 5 working groups *(6 meetings attended by more than 54 participants).*

The legal setting up and coordination of working groups helped to better elaborate the IC recommendations and consequently better assign responsibilities and set realistic tasks/deadlines. It also helped to better understand challenges of coordination across ministries in terms of respecting tasks and deadlines. The leadership and support provided by the government has been indispensable to drive the process and deliver results.

Working Group on Energy

Set up to evaluate the potentials for investment in the energy sector and coordinate a work plan with all parties involved with the final goal of creating favourable conditions for investment in the energy sector. Additionally, the WG was expected to facilitate and propose necessary legal and regulatory procedures aiming to evaluate, prepare, and implement the necessary concrete actions for the development of the energy sector. The output of this WG is still to be completed.

Working Group on ICT (focus on Digitalisation)

Accelerating the Digital Agenda. Through the coordination of meetings and discussions among the members, the Secretariat pushed institutional coordination & collaboration for the implementation of 7 recommendations issued by the IC with a focus on expanding the broadband network in the country, assessment of SMEs' readiness in the provision of online services, analysing data on the usage, access and quality of ICT services by the business, as well as following up the drafting of a strategy on digital skills.

Working Group on Investment Potentials in Agro-processing – Promoting "Made in Albania" products

Members of the WG shared information on the work carried out between the ministries and investigated options to take concrete action in promoting the agro-processing sector in the context of the country's economic recovery, especially post-Covid-19 pandemic. *The WG identified 4 concrete groups with investment potentials in the agro-processing sector such as nuts, tomatoes, fruit juices, and medicinal and aromatic herbs. It also identified main business challenges and requirements for support—mainly related to market information and education, standards and certification, as well as access to finance*. Based on the achievements of this technical working group, the Secretariat collaborated with experts in the field to develop some technological cards for these products to serve as a guide for potential investors in these selected sub-sectors.

Working Group to address the issue of blocking and unblocking of taxpayers' accounts by the commercial banks based on the relevant orders issued by the tax and local fees directorates within municipalities.

Following intensive discussions among all interested parties, and follow up by Secretariat and influential business associations and chambers (Business IC Members), the Instruction no. 24 dated 02.09.2008 was finally improved by the end of 2020. The amendments to the **Instruction No.24 dated 02.09.2008 "On Tax Procedures" clarified the cases when the tax administration** can block/seize the bank accounts of administrator/shareholder for liabilities corresponding to the company. It was made clear in the instruction that such individual accounts can be blocked, only upon court decisions and once the specific conditions foreseen by the legislation on entrepreneurs and commercial companies are met. The discussion in the WG shall further contribute to the whole operational procedures that include several stakeholders (banks, tax offices, companies, municipalities etc.) to be subject of discussion in the upcoming months, following the approval in 2020 of legislation on bank accounts registry.

Working Group to address some concerns raised by businesses regarding the imposing of local taxes and fees by five municipalities (Fier, Kukës, Puka, Selenica, Tropoja).

Discussions focused on (1) concrete proposals related to various current legal frameworks, (2) the need to build a manual to explain clearly the methodology for establishing local government taxes and fees for which MFE expressed commitment, (3) transparency on tax and tariffs imposed by municipalities and other complex issues faced by the business to pay local taxes.

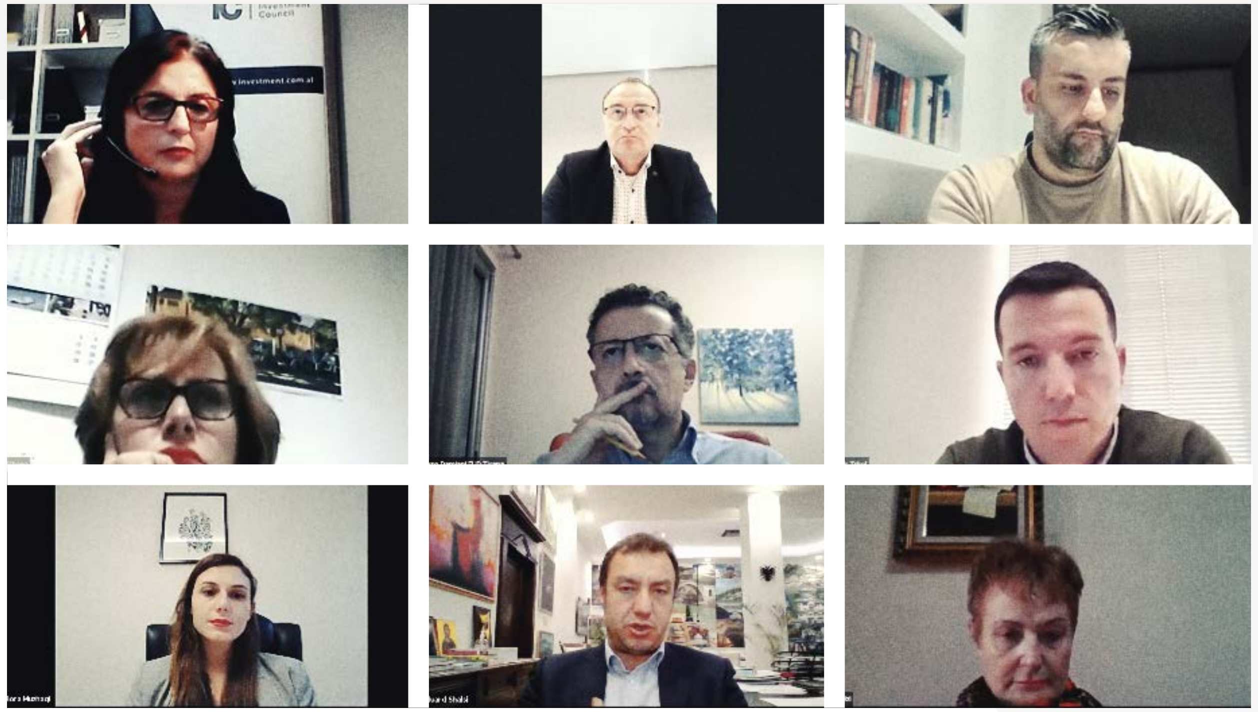
Consultations

Efficient Use of Public Credit Guarantee Schemes Can Increase Small and Medium Enterprises' Access to Finance in Albania - Workshop in collaboration with MFE and WB

Micro, small, and medium enterprises (MSMEs) in Albania are significant contributors to the Albanian economy, accounting for 99.8 percent of active enterprises. This sector is generally characterized by high informality (especially in agriculture), limited availability of collateral, and low levels of financial capability. Limited access to finance, particularly bank credit, poses a challenge for MSMEs in Albania. To discuss ways on improving MSMEs access to finance through credit guarantee schemes (CGSs) by making them more efficient and effective, the Secretariat of Albania Investment Council organized a virtual joint workshop with the Ministry of Finance and Economy, and the World Bank.

MAIN SUGGESTIONS

Discussants from the private sector valued the moment (especially presently during Covid-19 era) as very important and stressed the need for higher transparency and awareness about the available CGSs in the country. They emphasized that improving access to finance for MSMEs in the country must be tackled in a holistic and strategic manner, by addressing simultaneously supply and demand.



Consultation of the draft law "On the Support and Development of Innovative Start-ups" – an important step toward a consolidated normative framework

Consultation of the draft laws which have a direct impact on the investment climate is one of the main pillars of the work of the Investment Council. Consultation of an important piece of legislation such as the draft law "On the Support and Development of Innovative Start-ups", attracted the attention of many private sector stakeholders. The draft law for the development of innovative start-ups aims to make Albania more competitive by stimulating and supporting the ecosystem that regulates the relations between public and private actors and universities — a function which also the IC has been working to improve through proper dialogue between the parties since 2015.

MAIN SUGGESTIONS

The participants raised comments related to the definitions in the law, the exigence for infrastructure to support innovation, the need for regional cooperation, the need for improvement of funding for research and development, the need for more fiscal incentives, etc.

In addition, during this meeting, the Secretariat raised several points for further improvement or better clarification, which were taken into consideration by the drafters of this legislation.

Fulfilled recommendations during 2020

Through effective public-private dialogue and full involvement of its members, the Investment Council has analysed and approved **245 recommendations** for the improvement of the investment climate in Albania (2015-2020), out of which **38%** are already implemented and **14%** are in the process.

Key areas impacted through implementation of IC recommendations are mainly related to the:

» **Increased transparency of incentives and promotion of investment in specific sectors.** We evidence fulfilment of recommendations in completion of the legal and regulatory framework in the area of electronic communications, renewable and photovoltaic energy. In addition, there were improvements as result of fulfilled recommendations for the subsidizing of oil for the farmers, in the agro sector and enhancement of the competitiveness and enforcing the formalization in the tourism sector. These impact directly ease of entering and fair play for developing business in these sectors.

» **Increased exposure of the population to ICT services and facilities through collaborations with businesses** *(to subsidize the costs of digital devices),* promoting the ICT sector as an opportunity for investments through the unified platform Global Digit City, and reviewing the relevant legal framework – responding thus to the recommendations issued to reduce the informality of the sector.

» **Integration of IC recommendations in the process of the preparation and implementation of strategic country government documents,** such as:

- *Economic Reform Program 2020* - materialization of one of the activities planned in the economic reform program (ERP): "the establishment of a digital centralized platform containing the information on existing and forthcoming financing schemes and resources, as an important online tool for SMEs access to finance" through further elaborations in the relevant WGs of the IC and discussion with donors and the MFE and AIDA.
- *The new Strategy of Business and Investment* (BITS 2021 - 2027) currently drafted by MFE and GIZ includes specific IC recommendations focused on incentives for the attraction of investment, priority sectors for economic recovery, development of economic zones, labour skills, etc.

» **Accelerating the Digital Agenda.** IC urged the public institutions to consider the incentivizing of public investments in broadband networks, and review the legislation that currently duplicates payment in both municipalities and the state budget (within a year). As a response, a working group was set up by the Council of Ministers, led by MFE & MIE representatives, working more specifically on these issues.

Strengthening reform implementation

Implementation of IC recommendations is strengthened and more effective due to support with follow-up projects.

Technical assistance project by the EBRD to improve functioning and effectiveness of the e-permits platform:

» Assessment of the functionality of the e-permits platform, taking into consideration the World Bank's Doing Business methodology in assessing the area of construction permits;

» Preparation of a unified manual and procedures for all users of the platform;

» Institutional capacity-building and raising information and awareness around the platform;

» Speeding up the e-permits decision-making process through further digitalisation.

Next expected deliverable is the Operational Technical and Legal Manual for the platform.

Technical Assistance for the digitalisation of SMEs

During May-June, the Secretariat in collaboration with all the IC members (state institutions, business members and associations, and international development partners), played a central role in helping the Government formulate quick business-supportive economic policy responses to the Covid-19 pandemic. As a cross-cutting issue it was highlighted **the necessity to prioritize digitalization and maximize access of businesses to Information and Communication Technologies (ICT).**

Upon endorsement of the IC recommendations, the Ministry of Finance and Economy, requested the support of EBRD for technical assistance in implementing in particular 2 of these recommendations (in collaboration also with the Ministry of Infrastructure and Energy, and the Albanian Investment Development Agency):

» Setting up policies for the digitalization of SMEs, upon a deep analysis and policy recommendations with regards to improving SMEs access to ICT services;

- assessing the demand for digital solutions from SMEs across the priority economic sectors/regions of the country;
- assessing the availability of suitable products to meet the needs of SMEs in non-digital sectors;
- recommending necessary tools, mechanisms and policies that could address those needs and could help SMEs exploit the benefits of the existing ICT.

» Improving and digitizing/centralizing the information on existing and forthcoming financing schemes and resources, as an important online tool for SMEs access to finance.

Documents

Click on the document title to download.

JANUARY 2020

- 2019 IC recommendations
- IC Meeting XIX - Agenda
- IC Meeting XIX – PPT Presentation
- IC Meeting XIX – Technical Note
- IC Meeting XIX – Matric of Recommendations
- IC Meeting XIX – Minutes

APRIL 2020

- IC Meeting XX – Agenda
- IC Meeting XX – PPT Presentation
- IC Meeting XX – Summary of Proposals from the Business
- IC Meeting XX – Summary of Suggestions Raised during the Meeting
- IC Meeting XX – Minutes

JUNE 2020

- IC Meeting XXI - Agenda
- IC Meeting XXI – PPT Presentation
- IC Meeting XXI – Concept Note
- IC Meeting XXI – Matrix of Recommendations
- IC Achievements, 2019-2020
- IC Meeting XXI – Minutes

NOVEMBER 2020

- IC Meeting XXII – Agenda
- IC Meeting XXII – PPT Presentation
- IC Meeting XXII – Executive Summary
- IC Meeting XXII – Technical Note
- IC Meeting XXII – Matrix of Recommendations
- IC Meeting XXII – Status of Recommendations
- IC Meeting XXII – Minutes

PUBLICATIONS

- 2019 IC Activity Report
- 2020 IC Survey Findings “Covid-19’s Impact on the Business”
- Albania, Economic Outlook Indicators, January-December 2019
- Albania, Economic Outlook Indicators, January-June 2020
- Progress of IC Recommendations Status (June 2020)
- Covid-19, Summary of Acts & Measures taken in Albania (August 2020)
- 2020 IC Facts & Figures
- 2020 IC Monitoring Report

Communication and visibility

IC WEBSITE

» An increase of 20% in website users (8,790 users in 2020 vs. 7,296 users in 2019)
» An increase of 6% in page views (27,106 page views in 2020 vs. 25,682 page views in 2019)

SOCIAL MEDIA

» Active in 3 platforms: Facebook (since 2015), Twitter (2016), LinkedIn (2019)
» An increase of 87% in the number of followers: 2,128 followers in 2020 vs 1,140 (2019)
» 52 posts in the social media (a substantial increase compared to previous years)

AUDIO & VISUAL

» Albania Investment Council: Enabling Effective Dialogue Through Proactive Stakeholder Engagement
» Albania Investment Council: Internship Programmes, 2017-2019

QUARTERLY E-NEWSLETTERS

» Distributed electronically to all IC stakeholders, and shared on social media.

INTERVIEWS IN THE PRINT MEDIA

» A sizeable Informal Economy and the Low Usage of Bank Cards and POS Terminals (January 2020)
» Albania Investment Council – An Effective Public-Private Dialogue Platform (April 2020)
» Vision on How to Overcome the Current Crisis (September 2020)
» Challenges of the Economy (December 2020)

E-MAIL MASS MARKETING (campaigns upon publishing news on website)

» 823 subscribers
» 10 campaigns in English and Albanian
» Average open rate 31%

Stakeholder Engagement

The Secretariat extended the inter-institution collaboration through coordination of working groups in priority sectors Energy, Agro-industry, ICT, as well as technical Working Groups such as the one to tackle the business concerns with blocking of taxpayers' accounts. That is why, in addition to central government institutions, the collaboration has extended with new regional partners such as municipality of Fier, Kukes, Puka, Selenica, Tropoja, as well as Tax and Local Fees Directorate within MFE.

Collaboration with the public sector was further strengthened especially with the Ministry of Agriculture, as a follow up of the preparation of the last plenary meeting, as well as with the Ministry for the Protection of the Entrepreneurship in the consultation of draft law on the innovative start-ups.

During 2020, the IC further extended its work with the local government on topics related to local taxes, public properties, business inspections, and support to the local agro-products.

Specific progress was achieved in increasing the work relations with municipalities in the North of the country, increasing collaboration with women's associations working in the area of medicinal herbs, etc.

Key figures in 2020

During 2020, the Investment Council and its Secretariat organized in total **15** meetings with the participation of around **260** representatives from public & private sector as well as development organizations (out of which 109 business representatives):

- **4 plenary meetings** with a 97% participation rate,
- **6** meetings of the three **working groups (energy, agriculture, ICT)** set up in January 2020 with ministerial order between 3 line ministries (MFE, MIE, MARD) to boost investments in the respective priority sectors;
- **2** meetings of the **working group** set-up by the Secretariat to tackle the issue brought by the business **regarding the blocking of bank accounts by the TAX administration**;
- **1** meeting of the working group set-up by the Secretariat to tackle the issues brought by the business regarding local taxes and their relationship with the municipalities with the participation of 6 municipalities;
- **1** informative workshop on **credit guarantee schemes** in collaboration with World Bank with the participation of **12** main local banks and micro-credit associations;
- **1** consultation meeting on the **draft law on innovative start-ups** in collaboration with the Ministry of State for Protection of Entrepreneurship with the participation of **34** SMEs.

In its meetings in April and May, the IC got the attention of main foreign diplomatic organizations in the country that expressed their interest to participate, such as UN, Heads of Development Cooperation Offices from the Embassy of Sweden, Austria, Germany, OSCE, etc. Participating in the plenary meetings, these agencies had the opportunity to get an insight on the business perceptions about their most imminent problems during the Covid-19 crisis, and translating them in recommendations for targeted intervention from the Government's side.












OTHER

Advocating and Awareness-Raising

FACILITATING COLLABORATION AMONG PUBLIC INSTITUTIONS
Special advocacy and interaction at the top level (MFE, line ministries, associations), during the extraordinary situation, followed up with the monitoring/coordination/reporting of the activities of the working group through periodic reports (agro-processing, ICT) to the cabinet of MFE.

FOSTERING PUBLIC-PRIVATE DIALOGUE
Covid-19 crisis reaffirmed the unique importance of sustainable communication and state-private partnership for the well-functioning of the economy and timely mitigation of the consequences of the health crisis. The IC platform was used for important consultations with the business (e.g. consultation of the draft law on start-ups, extraordinary meeting on Covid-19 with a focus on economic recovery, etc.).

STRENGTHENING COLLABORATION WITH DEVELOPMENT PARTNERS IN ALBANIA
The plenary IC meetings attracted the attention of important development partners, especially during the onset of the pandemic, showing solidarity with the business community and readiness to join forces to overcome the situation.

PROMOTING "MADE IN ALBANIA" PRODUCTS
Emphasizing the need to discuss a list of "strategic" products/industries for the years to come, which could be firmly supported by policies aimed at guaranteeing a specific "niche" for the competitiveness of the Albanian economy in a timely manner.

ADVOCATING TO ENHANCE IC INFLUENCE IN THE COUNTRY'S GOOD GOVERNANCE
- A special advocacy made by our partners MFE, Swiss project, WB, etc., through different documents acknowledging IC work and recommendations on promoting the reform on innovation, BPO sector or fighting informality in tourism; including findings of IC survey for further analysis, etc.
- IC analytic documents echoing in the (electronic and visual) media, as a platform where the voice of the business is conveyed with impartiality.

NETWORKING WITH STAKEHOLDERS
- Invitation to participate in several events and advocacy speeches delivered by the Secretariat as panellist to several national and regional events such as Inn Fest, DiGI Diaspora, Connect Roundtable, Italian Confindustria's Board meeting.
- The Secretariat invited as a member of the Steering Committee to other Swiss projects such as RisiAlbania and "Skills for Job", actively contributing to the strategic directions by bringing attention and alignment to the relevant IC recommendations.

2020 IC Survey on Covid-19's Impact on the Business

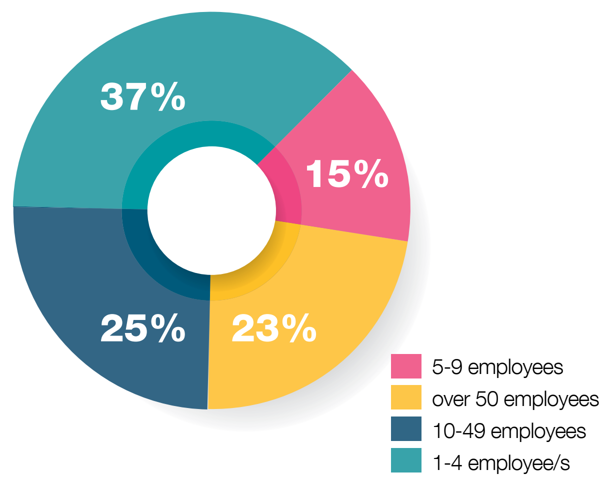
» **How** businesses are responding to the unprecedented situation caused by Covid-19 pandemic and what challenges they are facing in terms of liquidity, lack of production, lack of customers, increase of costs, etc.

» **What** is their estimation on the Covid-19's impact on their business turnover?

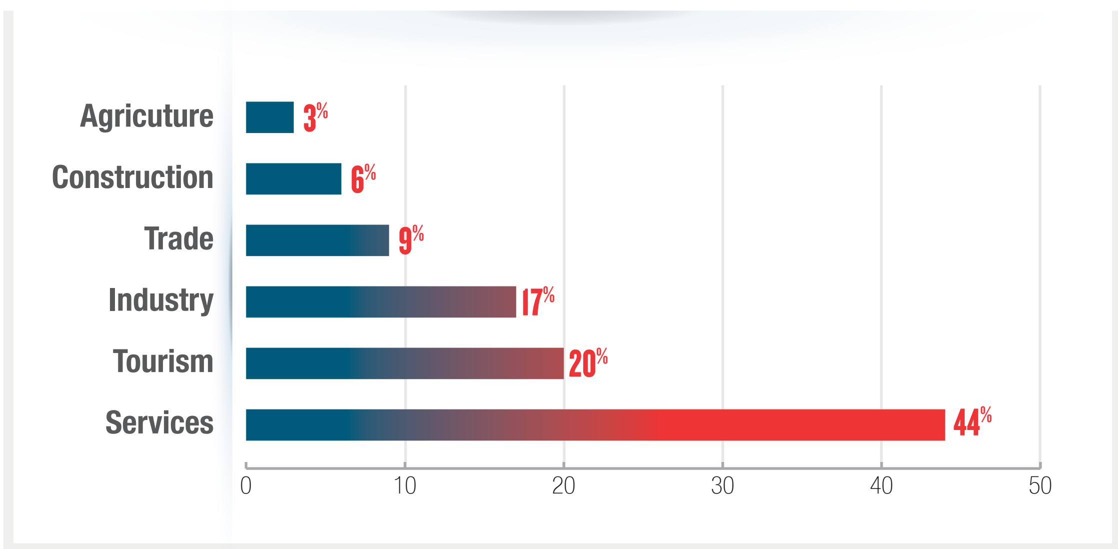
» **How** can the central and local government better assist businesses' specific needs during this phase?

Surveys are valid tools for bottom-up engagement of the business, already part of IC work methodology since 2015. 2020 IC Survey was conducted in the form of a structured questionnaire prepared by the Secretariat and completed online randomly by 833 companies throughout Albania. The objective of the survey was to collect perceptions among businesses about the possible effects of the Covid-19 pandemic on their business activities as well as a preliminary perception on the government's intervention in regard. Out of the 833 surveyed companies, 37% were companies with up to 4 employees, whereas the exporters accounted for 27% of survey sample.

Sample distribution as per employees



Sample distribution as per economic activity



What's next?

Looking ahead, the IC is expected to continue to play a central role in facilitating dialogue between the Government and private sector, which will contribute to restoring confidence in the economy for investors, strengthening the business environment and addressing medium and longer-term challenges faced by businesses as a result of the pandemic.

2021 IC Agenda will be voted by the IC Members based on a list of prominent business issues identified and investigated by the Secretariat to be prioritised during the upcoming year. To be noted that in 17 out of 22 plenary IC meetings held during 2015-2020, the topic of discussion has been voted by the IC members.

During 2021, the IC is expected to be convened in 4 plenary meetings, while the Secretariat will continue with the organization of several consultation meetings and focus group meetings to ensure a wide engagement of stakeholders from the public and private sector. In addition, for the second time, the Secretariat will conduct a nation-wide survey on the impact of Covid-19 on the business (in an attempt to make a comparison with the 2020 survey findings), while it will continue to monitor diligently the implementation of the recommendations approved by the IC as well as continue to raise awareness about the IC activities and impact.

2020 Key Numbers

4
PLENARY IC MEETINGS

57
APPROVED RECOMMENDATIONS

25
IMPLEMENTED RECOMMENDATIONS (2020)

3
ANALYTICAL OUTPUT: TECHNICAL NOTES (2020)

Written comments submitted directly to the Secretariat by business community with concrete issues/ impediments

BRIEFING NOTE ON COVID-19'S MEASURES & ACTS
1
1 COMPREHENSIVE PUBLICATION, SEVERAL PERIODIC UPDATES

AT LEAST 20
ENGAGED BUSINESS ASSOCIATIONS/ CHAMBERS

COLLABORATION WITH LOCAL GOVERNMENT
6 municipalities (Tirana, Fier, Kukës, Puka, Selenica, Tropoja)

109
PARTICIPATION OF BUSINESS IN IC MEETINGS, WORKING GROUPS AND OTHER ROUNDTABLES

21
INCOMING CORRESPONDENCES

2
CONSULTATION ROUNDTABLES

823
SUBSCRIBERS IN IC WEBSITE

1
ANNUAL MONITORING REPORT ON THE IMPLEMENTATION OF IC RECOMMENDATIONS

6
WORKING GROUP MEETINGS

FORMAL SUBMISSION OF IC RECOMMENDATIONS
36
institutions

97%
PARTICIPATION RATE IN IC MEETINGS

2020 IC SURVEY "COVID-19'S IMPACT ON THE BUSINESS"
833
RESPONDENTS NATIONWIDE

6%
INCREASE IN PAGE VIEWS, 2020 VS. 2019

20%
INCREASE IN WEBSITE USERS 2020 VS. 2019

2128
Followers in social media

IC Membership during 2020

Member, State Institution	Ministry of Finance and Economy
Member, State Institution	Minister of State for Protection of Entrepreneurship
Member, State Institution	Bank of Albania
Member, State Institution	Albanian Investment Development Agency (AIDA)
Member, State Institution	Albanian Fund for Development of Diaspora
Member, Development Partner	World Bank
Member, Development Partner	EU Delegation in Albania
Member, Development Partner	European Bank for Reconstruction and Development (EBRD)
Member, Development Partner	International Finance Corporation (IFC)
Business Members with Permanent Mandate	Chamber of Commerce and Industry Tirana
Business Members with Permanent Mandate	Union of Chambers of Commerce and Industry (UCCIAL)
Business Members with Permanent Mandate	Albanian Chamber of Diaspora
Business Members with 2-Year Mandate	Foreign Investors Association of Albania (FIAA)
Business Members with 2-Year Mandate	American Chamber of Commerce (AmCham)
Business Members with 2-Year Mandate	German Chamber of Commerce (DIHA)
Business Members with 2-Year Mandate	Confindustria Albania
Ad-Hoc Business Members	Essegei S.p.A. Edipack sh.p.k. Easy Pay sh.p.k. Agrotech Vodafone Albania Sam sh.p.k. Doni Fruits sh.p.k. MEIA sh.p.k.

Albania Investment Council
Improving Transparency and Investment Climate

ACTIVITY REPORT 2020

Transforming the dialogue in new formats

Secretariat of Albania Investment Council – Team
The work of the Investment Council is supported by the Secretariat, an independent body of professionals selected and contracted by the EBRD to directly engage with the business community.

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Albania Investment Council ALInvestCouncil Albania Investment Council

REPUBLIKA E SHQIPËRISË
MINISTRIA E FINANCAVE DHE EKONOMISË

European Bank for Reconstruction and Development

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

State Secretariat for Economic Affairs SECO

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