

INVESTMENT COUNCIL SECRETARIAT

Progress of IC recommendations

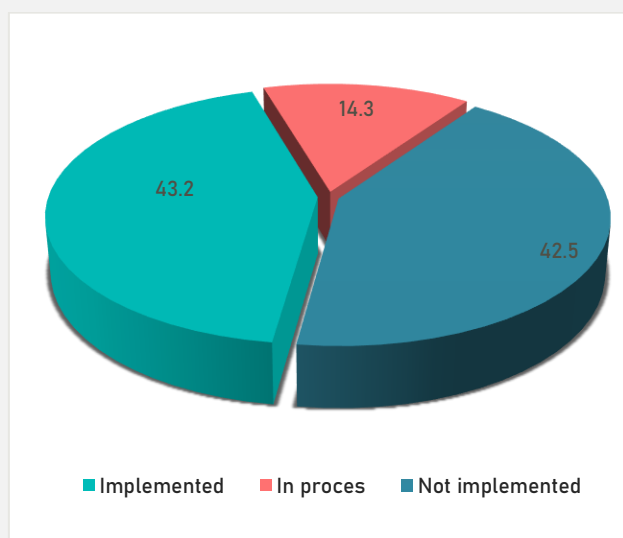
January - May 2022

Key Highlights:

Compared to the end of 2021, during the period January - May 2022 we notice:

- ✓ Increase by 2.7% of implemented recommendations from 40.5% (last year) to 43.2% in May 2022. Specifically, three recommendations from the meeting on “E-permits” and 1 recommendation from the meeting on ‘Investment Promotion in Agro-processing’, are implemented.
- ✓ Decrease by 2.2% of unfulfilled recommendations, from 44.7- (last year) to 42.5% currently. There are six unfulfilled recommendations that actually are categorised as recommendations in process or implemented.
- ✓ Decrease by 0.4% of recommendations in process, from 14.7% (last year) to 14.3% currently.

Figure 1. Status of IC recommendations, January-May 2022

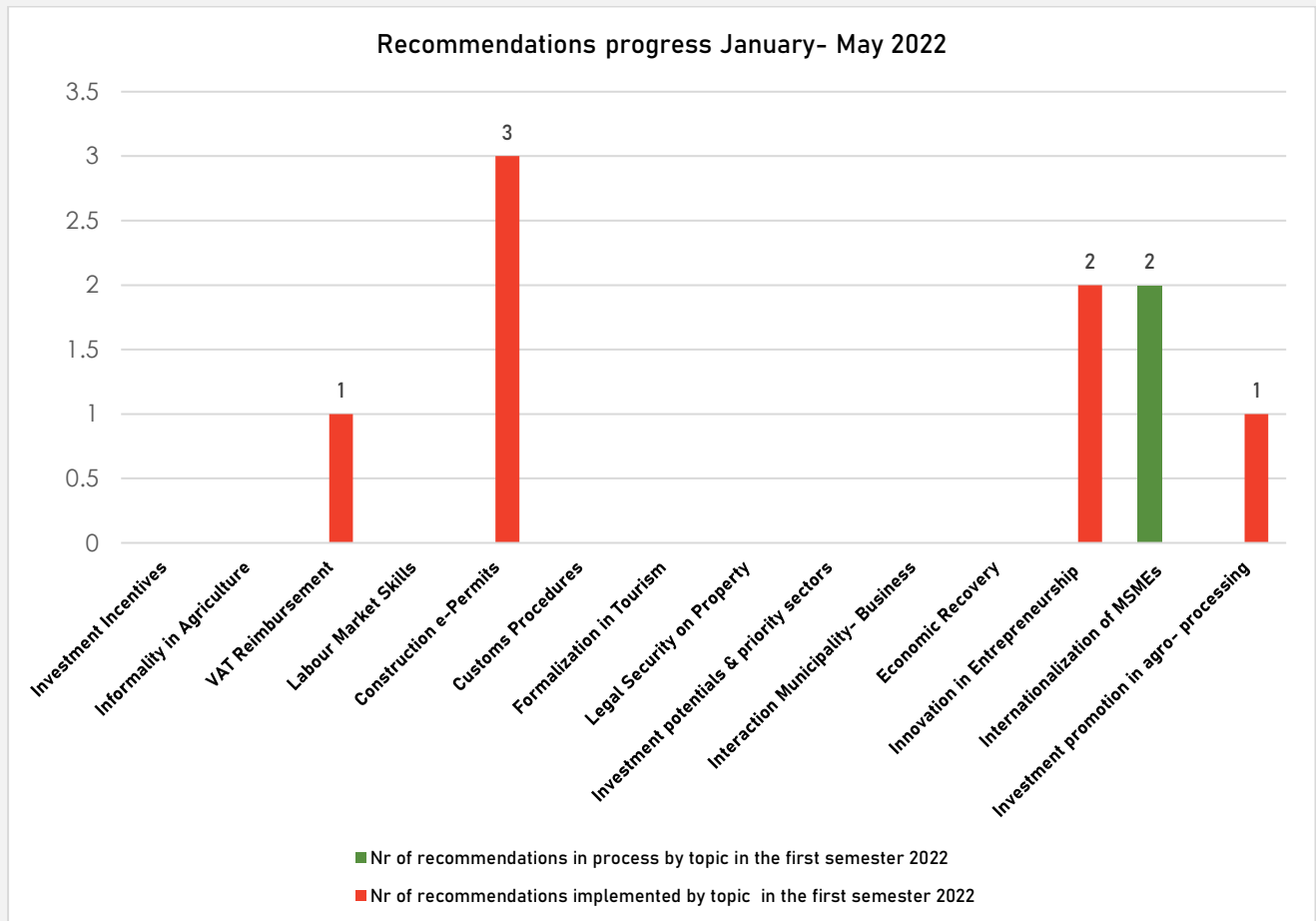


During this period, positive progress is evidenced in 9 recommendations:
7 implemented *
2 in the process of implementation.

From the recent meetings discussed in three meetings during the years 2020-2021, there are five recommendations that were implemented, mainly in the meetings on "Innovation in Entrepreneurship", "Internationalization of SMEs" and "Promotion of Investments in "Agro-Processing".

Meanwhile, from earlier meetings (2016/2018), there has been progress in one recommendation from the topic "VAT Reimbursement" and 3 recommendations from the meeting on "Improvement of E-permits platform".

Figure 2. Progress of IC recommendations, January-May 2022



The main areas of intervention where we identified concrete actions by the responsible institutions, during the period January-May 2022 are:

- ✓ *Legal improvements in regard to Innovation in Entrepreneurship, as a challenge to increase competitiveness and driver of economic growth, through:*
 - a) *Approval of most of the secondary legislation related to the implementation of Law no. 55/2020, dated 30.04.2020 "On Payment Services"* which enables a larger group of institutions/licensed agents to improve electronic payments. Concretely (1) approval of the regulation "On the public register of payment service providers" (2) the approval of the new regulation "On the licensing of payment institutions and electronic money institutions, as well as the registration of payment service providers" , (3) some amendments to the regulation "On licensing and conducting the activity of banks and branches of foreign banks in the Republic of Albania", which mainly consist of adding some requirements for bank agents, when the latter operate with agents only as a payment service provider 4) some changes in the regulation "On licensing and exercise of activity by non-bank financial entities", which are mainly related to licensing requirements and preliminary approvals for

non-bank financial entities that provide payment and money transfer services, as well as for institutions electronic money, which are already being treated in accordance with the new legal and regulatory requirements (5) some changes in the regulation "On licensing and operation of savings and loan associations and their Unions", which ensure compliance with the requirements of legal and regulatory innovations. Now the Savings and Credit Companies (SCA) that will perform the financial activity of payment services, will be provided with a special license as a payment institution, in addition to the license as SCA (6) some amendments to the regulation "On the minimum security requirements, in the premises in which banking and financial activities are performed, and for the transport of monetary values", which ensure the inclusion in the subjects of the requirements of this regulation of payment institutions and electronic money institutions, while in the case of banks they are responsible for verifying the fulfilment of the requirements of the regulation by their agents, when the latter provide payment services through agents (7) approval of the instruction "On the criteria for determining the monetary amount minimum professional indemnity insurance or other comparable guarantees "

b) Adoption of the draft law "On the Protection and Development of Innovative Start-ups", which helps to strengthen the innovation ecosystem and links between stakeholders through a comprehensive legal and regulatory framework. Following this process, it is very important to adopt the secondary legislation related to this law. For the recommendation to be fully implemented, (1) the establishment of a consolidated list of non-discriminatory administrative and financial incentives available to foreign and domestic investors must also be considered for implementation as a precondition for fair competition (2) adoption of a self-regulatory regime ecosystem governance regulators based on structures such as the Evaluation Board for Innovative start-up businesses with majority members from the private sector (3) setting up an online portal, open, transparent and easily accessible for Start-Ups Innovative (4) Establishment of a National Innovation Fund that supports access to credit for certified incubators and innovative start-ups through bank loan guarantees.

✓ Legal improvement in terms of encouraging investments in Agri-Processing.

Specifically, the recommendation was related to the need for changes and harmonization of law no. 106/2016 "On organic production, labelling of organic products and their control" with the provisions of EU Regulation 2018/848 "On organic production". For organic agriculture, in February 2022, progress was made in further alignment of the legal framework for organic production with the EU acquis, where the law 106/2016 "On organic production, labelling of organic products and their control" was adopted and is supplemented almost completely through the bylaws.

✓ Further improvement of the E-license platform functionalities, through:

a) Preparation of a detailed operational, technical and legal manual in the form of an instruction for all users, including Municipalities and AIDA as institutions that promote one-stop platform services to potential investors.

- b) Completion of the legal changes recommended in 2018 referring to law no. 33/2012 "On registration of immovable property" which has already been repealed and approved Law 111/2018 "On cadastre" - Based on law no. 8402/1998 "On Control and Discipline of Construction Works" (amended) have been made Recent amendments to Law no. 120/2020 and IKTK and KKTMK are part of the institutions in the permit system, as well as any other institution who must or can respond according to his area of competence.
 - c) Continuous training and qualification of human resources which are directly involved in the procedures of approval of construction permits through the e-Permit platform. Specific attention has been paid to this process by the Directorate of LGUs, which has been set up precisely for assistance and training to LGUs.
- ✓ ***Further simplification of VAT refund procedures-*** Since dt. March 7, 2022 any request for VAT refund is made only online, through the Digital VAT Refund Platform. The General Directorate of Taxation has made available a guide, which guides taxpayers' step by step on how to use the online refund platform.

Two recommendations considered in process of implementation, are related to the meeting on "Internationalization of SMEs" discussed at the end of 2021 and are based on comments received from MFE representatives in several working groups set up between MFE structures, experts in relevant fields, and chambers of commerce or other platforms that have proposed investment priority interventions. Specifically, has been confirmed that:

- ✓ A Working Group has been established to draft the Export Program and within this Working Group, work is underway to draft a questionnaire as an assessment aimed at verifying exporting MSMEs and MSMEs with potential and willingness to access foreign markets by priority sectors. The Export Program is expected to be completed within 2022. For selected industries further market assessments will be conducted to identify key drivers of competitive advantage, other potentials for product diversification, target markets, and strategies for proper positioning and market entry.
- ✓ MFE is working to raise the awareness of MSME entrepreneurs about the cost / benefit of using alternative energy options. Thus, during the period April-May, several workshops are planned on the topics "Waste Management in Hotels and Accommodation Structures", "Benefits of using Photovoltaic systems in the tourism sector", "Implementation of energy efficiency measures and waste management in tourism sector", "Case study on the implementation of energy efficiency measures, renewable energy and waste management systems".

There are currently 116 unfulfilled recommendations, on behalf of which were contacted the responsible institutions during this quarter, and wait for their formal feedback.

Among the main institutions with the largest share in the implementation of unfulfilled recommendations are:

- ✓ Ministry of Agriculture and Rural Development - 12 recommendations
- ✓ Ministry of Tourism and Environment - 14 recommendations
- ✓ State Cadastre Agency - 16 recommendations

- ✓ Central Inspectorate - 13 recommendations
- ✓ General Directorate of Taxes - 10 recommendations