

Investment Climate

A potential candidate country for EU accession, Albania is a member of World Trade Organization since 2000 and a NATO member country since April 2009.

Albania has achieved strong economic positive growth despite the global economic and financial crisis with a GDP growth of 6% for the period 2000 – 2009, and of more than 3% for years 2010 and 2011 respectively.

Strategically located in the Western Balkans, with its developing market economy, low tax burden and its young, educated and cost competitive workforce, Albania offers many opportunities for investors. Albania's natural resources include significant hydro, solar and wind power capacity, large tracks of agricultural land and over 400 km of coastline with excellent tourism potential. The country is rich in oil and gas and is endowed with valuable mineral deposits such as copper, iron and chrome ores.

Well anchored structural, legal, fiscal and administrative reforms focusing on trade liberalization and ease of doing business, have boosted investors' confidence in Albania. According to UNCTAD World Investment Report 2012, in 2010 the number of foreign direct investments received by Albania amounted to \$1051 million, and in 2011 amounted to €1031 million. According to the same report, Albania ranks in the countries with the highest performance index meaning that the number of foreign investments received was above expectations and this thanks to improvements in its investment climate.

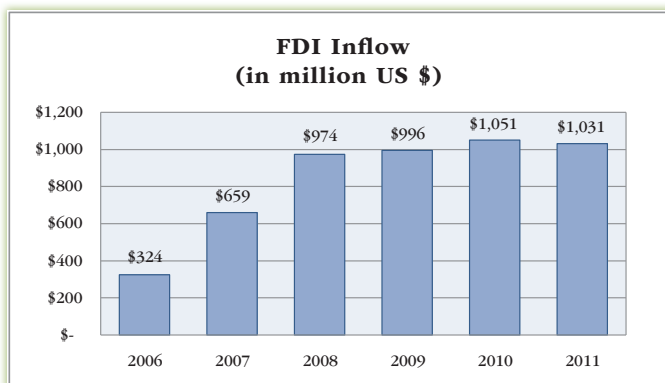
The focus for the future development of the Albanian economy will remain on attracting FDIs with a focus on sectors where the Albanian economy has unexploited potential both in terms of natural resources as well as in developing sectors that are yet underperforming such as renewable energy, tourism, agribusiness, infrastructure and services. Albania has adopted a liberal framework which has been designed to create a favorable investment climate for foreign investors. Albania has also signed a considerable number of Bilateral Investment Treaties with different countries such as United Kingdom, France, Germany, Italy, Austria, Switzerland, United States, China, Russia, Israel, Egypt, Malaysia, Cyprus, Kuwait, Turkey, Serbia etc,

Major foreign investors

Company name	Country	Sector	Company name	Country	Sector
Bankers	Canada	Oil and Gas Production	ENKA	USA & Turkey	Construction
GLOBUL	Greece	Telecommunications	SOCIETE GENERALE ALBANIA	France	Banking
KUTUM holding	Turkey	Metallurgy	Shell	UK	Oil & Gas
vodafone	Greece	Telecommunications	Statkraft	Norway	Energy
TITAN	Greece	General Manufacturing	Coca-Cola	Italian	Beverage
	USA	Telecommunications	Lindner	Germany	Construction & Engineering
YCALIK HOLDING	Turkey	Telecommunications	TelekomSlovenije	Slovenia	Energy
CEZ GROUP	Czech	Energy Distribution	Stream	Canada	Oil and Gas
EVN	Austria	Manufacturing	Schneider Electric	France	Energy utilities
Verbund	Austria	Energy	ENI GROUP	Italian	Oil and Gas Production
STANDARDS.org	France	Inspections, Analysis and Certification	Garrefour	Netherland	Trade
INTESA SANPAOLO	Italy	Banking	Raiffeisen BANK	Austria	Banking
CONAD	Italy	Trade	UNIQA	Austria	Insurance

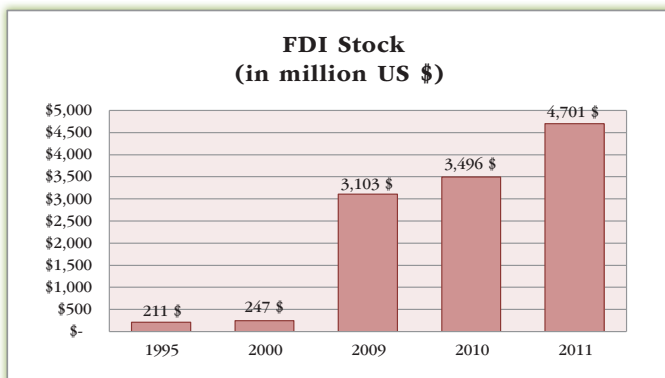
Source: Ministry of Economy, Trade and Energy (METE)

Table 1 (FDI Inflow)



Source: World Investment Report UNCTAD 2012, Bank of Albania.

Table 2 (FDI Stock)



Source: World Investment Report UNCTAD 2012, Bank of Albania.



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Business Climate

Albania has successfully completed its threshold program, aimed at improving government effectiveness and transparency and strengthening the rule of law through implementing online tracking systems, such as:

- an e-procurement system that handles all procurements over \$4000 in value. The system has cut procurement costs and increased competition;
- an e-filing system for paying personal income tax, used by two-thirds of all taxpayers, which has increased revenues while drastically reducing opportunities for corruption;
- a national planning registry used to manage building permit applications with greater transparency;
- a non-stop shop National Licensing Center.

Business operations

The Commercial Law no. 9901 “On Entrepreneurs and Commercial Companies” regulates the status of entrepreneurs, the founding and managing of companies, the rights and obligations of founders, partners, members, and shareholders, companies’ reorganization and liquidation.

The legal types of business entities that can be registered are as follows: Sole Entrepreneur, Unlimited Partnership, Limited Partnership, Limited Liability Company (Shpk), Joint Stock Company, Branches and Representative Offices and Joint Ventures.

Business registering procedures

- All business activity can be registered in one day through the cost of 100 ALL (less than) 1 Euro at the National Registration Center through the model of One-Stop Shop Office;
- The application for initial registration of new businesses may be done at the service window at the NRC’s office in Tirana, or in any other NRC service window located in a municipality office;
- Foreign investment goes through the same procedures of registration as any local investment.

For more information on business registering procedures, please refer to fact sheet nr 6.

Taxes and fiscal burden

- Low flat tax on “Profit Tax” of 10% since January 1st, 2008;
- Tax rate of 10% on Personal Income Tax;
- Online system for tax filing and payments;
- Albania’s tax system does not discriminate against foreign investors and no distinction is performed between foreign and domestic investors.

For more information on taxation, please refer to fact sheet nr 7.

Labor cost

- As for 1st of August 2012, the minimum wage in Albania is 21,000 ALL (approx. 153 Euro);
- Social insurance is 27.9% of the gross salary, with the employer paying 16.7% and the employee 11.2%;
- The average wage (public and private sector) is 36,075 ALL (approx. 260 Euro).

The state supports employers who employ the young generation up to 24 years old and females of special groups.

For more information on labor cost and regulations, please refer to fact sheet nr 4.

Business Licensing

- Licensing through the One Stop Shop model by the National Licensing Center with a cost of 100 ALL (less than 1 Euro);
- Only a limited number of business activities need a license or permit before operations start;
- Fast transparent procedures easily verifiable online (www.qkl.gov.al);
- Application can be submitted in all service windows in major municipalities;
- A foreign investment goes through the same procedures of licensing as any local investment.

For more information on taxation, please refer to fact sheet nr 6.

FDI Legal Framework

General provisions

Albania has a liberal framework which encourages investments. Law No. 7764, dated 02.11.1993 “On Foreign Investments”, was designed to create a favorable investment climate for foreign investors. The law offers guaranties to all foreigners (either physical or judicial persons) willing to invest in Albania. The provisions include:

- No prior government authorization is needed and no sector is closed to foreign investment;
- There is no limitation on the percentage share of foreign participation in companies – 100% foreign ownership is possible;
- Foreign investment may not be expropriated or nationalized directly or indirectly, except in special cases, in the interest of the public use as defined by law;
- Foreign investors have the right to expatriate all funds and contributions in kind of their investment;
- In all cases and at all times investments will have an equal and unbiased treatment, and will have complete protection;
- In any case foreign investment will have a treatment equal to what common international practice allows;
- Special state protection through replacement with full rights of foreign investors by the Albanian state in legal and civil conflict with private third-party.

Foreign investment in Albania is, therefore, generally permitted and treated according to conditions no less favorable than those which apply to domestic investment in similar circumstances. The purchase of private residential property is allowed to foreign investors. However, they cannot purchase agricultural land which can only be rented for up to 99 years and commercial property may be purchased only if the proposed investment is worth three times the price of the land.

There are no restrictions on the purchase of private residential property.

“Foreign investor” is understood to mean:

- a) every physical person that is a citizen of a foreign country; or
- b) every physical person that is a citizen of the Republic of Albania but who has always resided outside the country; or
- c) every legal entity founded according to the laws of a foreign country, which directly or indirectly seeks to carry out or is carrying out an investment in the territory of the

Republic of Albania in accordance with its law; or has carried out investment in accordance with laws that have taken effect since 31.7.1990 to the present.

Dispute Resolution

Investors in Albania are entitled to judicial protection of legal rights related to their investments. Foreign investors have the right to submit disputes to an Albanian Court or to the Arbitration Court in Tirana. Provisions on domestic and international commercial arbitration can be found in the Code of Civil Procedure.

In addition, if the dispute arises or relates to expropriation, compensation for expropriation, or discrimination and also for the transfers, then the foreign investor may submit the dispute for resolution, to the International Centre for Settlement of Investment Disputes established by the Convention on the Settlement of Investment Disputes between States and National of Other States, done in Washington, March 18, 1965 (“ICSID Convention”).

Special state protection

In September 2010, the parliament approved several amendments to this law that provide special protection for foreign investment in the tourism, energy and agriculture sectors. This state special protection is not granted a priori but is granted only after occurrence of the dispute through a decision of the Council of Ministers following a request presented by the respective minister and the foreign investor.

According to Law 10316 “On Some Amendments to The Law On Foreign Investments,” special state protection is granted to investments related to:

- a concession agreement based on the Albanian Concession Law; Law no. 9663, dated 18.12.2006 “On concessions” as amended;



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- an immovable property, made available to the foreign investor by the Albanian state ;
- an immovable property over which the foreign investor has rights based on a valid, legal, public document or act issued by a competent state-entity or public authority, where such investment exceeds or is foreseen to exceed the value of EUR 10 million.

Under the special state protection, the foreign investor is substituted in the judiciary process by the Albanian state and any injunction order issued by the court shall be executed over state properties.

The protection may also include the state's commitment to take over the obligations of the foreign investor sentenced by the court in favor of private third parties.

Additionally, after the foreign investor is granted the protection:

- The court cannot rule on the confiscation or suspension of the activities on the related goods (assets) of the foreign investment. If the court has already adopted these measures, it is obliged to follow the request of the State Attorney to replace them with other measures;
- If the court transfers the foreign investor's rights over the real property in favor of third private parties, the Council of Ministers may decide, for the public interest, to expropriate the third parties and transfer the real property to the foreign investor.

Protection of Intellectual Property Rights

The major Albanian legislative acts governing copyright and intellectual property are Law on "Industrial Property", No. 9947, dated 7.7.2008 and the Law on "Copyright and Related rights", No. 9380, dated 28 April 2005 (amended).

The Law on "Copyright and Related Rights" is applicable to local or foreign persons and legal entities and governs the rights and the obligations of participants in the creative, productive and commercial activities.

The law on "Industrial Property" governs the acquisition of industrial property rights and protects copyrights, patents, trademarks, stamps, marks of origin, industrial designs and geographical indications. The provisions of the law are equally applicable to foreign persons or legal entities that are resident of member countries of:

- International treaties and conventions where Albania is a member;
- Countries which are members of the World Trade Organization; or
- Countries where the mutual or regional reciprocity principle with Albania is applicable.

Furthermore, Albania has ratified the Marrakesh Agreement and has become signatory to the World Trade Organization's Trade Related Intellectual Property Rights (TRIPS) agreement.

Concession Law

The law "On Concessions," No. 9663, dated December 18, 2006 (amended), establishes a very competitive procedure in awarding concessions aimed at promoting and facilitating the public-private partnership in delivering public services and implementing infrastructure public works. The law allows for transparent procedures for the implementation of the contracts.

The law applies to a wide range of sectors, including:

- a) transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking facilities, public transport);

- b) generation and distribution of electricity and heating;
- c) production and distribution of water, treatment, collection distribution and administration of waste water, irrigation, drainage, cleaning of canals, dams;

- d) collection, transfer, processing and administration of solid waste;

- e) telecommunication;

- f) education and sport;

- g) health;

- h) tourism and culture;

- i) prison infrastructure;

- j) recycling projects, rehabilitation of land and forests, in industrial parks, housing, governmental buildings, service of maintenance of IT and data base infrastructure;

- k) natural gas distribution;

- l) management contracts or provision of public services including those related to sectors specified above.

The Government, with the approval of the Minister of Economy, authorizes concessions in other sectors besides the ones listed above.

Privatization Opportunities

An on-going privatization process presents opportunities in strategic sectors: mining, energy generation, oil and gas, transport and finance. This has attracted several major foreign investors. The privatization strategy for sectors of primary importance explicitly seeks qualified foreign firms as strategic investors for these key sectors.

Investment Incentives

Albanian law does not establish specific incentives for foreign investors; foreign investors can benefit from the existing incentives available as the domestic companies.

Incentives are regulated by the Law No. 9374, dated 2.04.2005 "On State Aid" (amended) which primarily aims at promoting the implementation of important projects, facilitating the development of certain economic activities, and promoting culture and the heritage conservation.

The law "On State Aid" applies to all sectors of manufacturing and services and all measures undertaken by central and local governments, as well as other entities acting on behalf of the State, that confer benefits to particular enterprises, except those acting in the sectors of agriculture and fisheries.

The State Aid may take the form of subsidies or grants; exemptions, reductions, deferrals or tax credit and other fiscal contributions.

The most significant incentives for investors in Albania are:

The law on concessions

In order to promote investments in priority sectors for the economic development of the country, the Government of Albania may offer concessions to local or international investors for the symbolic price of one euro. In these cases the state property – assets, natural resources, economic activities – are provided at a price of 1 Euro;

- According to Decision of the Council of Ministers No. 529, dated 08.06.2011 "On the criteria, procedure, and mode of leasing, emphyteusis or other form of contract of state property", the price of the lease or emphyteusis on state property, can be set at the symbolic price of 1 euro

if industrial production activities, of an investment value of or more than 10 million Euro, are to be carried out on a state property, or when it comes to solving social and economic problems in particular areas. The terms and conditions for bidding for these contracts are subject to a Council of Ministers decision to be approved on a case by case basis;

- **Encouragement of power production**

According to the Law No. 8987, dated 24.12.2002 "On creation of facilitating conditions, concerning the establishment of new factories for production of energy", investors establishing new power generation plants, or rehabilitating existing ones, with an installed power capacity of more than 5 MW using liquid or solid combustibles, are entitled to an exemption on custom duties on imported machinery and equipment used in the capital investment.

They will also be reimbursed for the customs and excise duties paid on the import of liquid or solid combustibles used in the production of electric energy.

- **The machinery and equipments** imported for investment purposes benefit from a deferral of total VAT payment for a 12 month period – Law No. 7928 of 27 April 1995 as amended by Law No. 9856 of 26 December 2007. Taxable person is entitled to full credit of VAT, only when the imported machinery and equipment exclusively serve to the taxable activity;

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- **Apparel producers are not subject to VAT** for services provided to their contractors provided that products under the scheme are re-exported. This is based on Law 7928, dated April 27, 1995, "On Value Added Tax," Article 25/6. They are also exempted from VAT on raw materials as long as the finished product is exported;

- **Free zones**

The Law No. 9789, dated 19 July 2007 "On the establishment and Functioning of Economic Zones".

For more information see factsheet on "Property, Sites and Buildings"



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Basic Economic Indicators

Key Facts

Area	28,748 km ² Land: 27, 398 km ² Water: 1,350 km ² ¹
Population	2,831,741
Labour Force ²	1,076,714 (First trimester 2012)
Capital	Tirana
Language	Albanian
Currency	Albanian Lek (ALL)

Economic Situation

Albania has achieved strong positive economic growth over the recent years, despite the impact of the global financial and economic crisis. The GDP growth in 2010 was 3.5 % and in 2011 it has reached 3.9 %².

The pursuits of macro-prudential policies and well-anchored structural reforms, focusing on privatizations, fiscal probity, trade liberalization, the business climate, energy and financial sectors, have enabled Albania's economy to be the most resilient of South-Eastern European economies.

In their last reports up to date (September 2012), the global rating agencies "Moody's Investors Service" and "Standard and Poor's", reaffirm their previous credit ratings (B1 from Moody's and B+ from S&P) and their "stable" outlook for the Albanian economy. According to these reports, Albania has made significant progress in improving its economic and institutional strength since the late 1990s, albeit from very low levels. The economy remained relatively resilient during the global financial crisis of 2008-09.

They emphasize that Albania has demonstrated in the last years a steady economic growth of 4%. Besides the economic growth over the last years, the agencies highlight the high growth potential of the Albanian economy over the next years.

ALBANIA - Basic Economic Indicators

	2005	2006	2007	2008	2009	2010	2011
Real Growth GDP (%)	5.7	5.4	5.9	7.5	3.3	3.91	2.72
GDP (mln ALL)	814,796	882,209	967,670	1,089,293	1,148,082	1,222,462	
Nr of Employees (in 000)	932.0	935.1	939.0	974.1	899.3	916.9	929.92
Unemployment %	14.1	13.8	13.2	12.5	13.6	13.5	13.32
Inflation % (coy)	2.0	2.5	3.1	2.2	2.28	3.56	3.45
Budget Balance (with grants, GDP %)	(3.5)	(3.3)	(3.5)	(5.5)	(7.0)	(3.1)	3.5
Public Debt (GDP %)	57.4	56.2	53.5	54.8	59.7	58.52	
External Debt (GDP %)	17.2	16.6	15.3	18.0	23.4	25.19	
Current Accounts (w/t official transfers, GDP %)	(10.0)	(7.3)	(11.4)	(15.8)	(15.9)	(12.3)	(12)
Exchange rate, ALL/USD	99.9	98.1	90.4	83.9	95.0	103.9	100.84
Exchange rate, ALL/EURO	124.2	123.1	123.6	122.8	132.1	137.8	140.34
M3 aggregate (annual average)	15.6	11.6	13.7	7.7	6.8	12.5	9.2

Source: Bank of Albania; INSTAT, Ministry of Finance, IMF, CIA

¹Labour force defined as people in work plus registered unemployed (INSTAT www.instat.gov.al; Albania in Figures 2012, AIDA)

²Source Bank of Albania

The Competitiveness Position Of The Albanian Economy

An indicator of the latter is The Global Competitiveness Report 2011-2012 of the World Economic Forum, which ranks Albania at the 78th position out of 142 countries/economies, while in the 2010-2011 report Albania was ranked at the 88th position, and the 2009-2010 Report at the 96th position.

According to the World Bank Report "Doing Business, 2012", on 'Ease of doing business', Albania ranks 82nd out of 183 economies. On "getting credit" and "protecting investors" Albania ranks respectively at 24th and 16th positions putting Albania among the top reformer countries.

The actual progress is emphasized in the Index of Economic Freedom published by the Heritage Foundation and The Wall Street Journal. According to the 2012 Index, Albania's economic freedom score is 65.1 making its economy 57th freest in the world out of 164 countries/economies.

The level of economic freedom increased by 1.1 points compare to last year report where Albania was ranked 70th freest economy with a score of 64 points.

Regional Economic Indicators

Countries	Annual GDP change		Annual Inflation		Unemployment rate	
	2010	2011	2010	2011	2010	2011
Italy	1.5	0.4	1.6	2.9	8.4	8.4
Greece	-4.6	-5.5	4.7	3.1	12.9	17.0
FYROM	1.8	3.0	1.6	3.8	32.0	31.2
Serbia	1.0	2.0	6.5	11.0	19.18	24.0
Croatia	-1.2	0.8	1.1	2.2	11.8	13
Turkey	8.9	6.6	8.6	6.2	10.7	9.0
Kosovo	4.0	5.3	3.5	7.4	40	
Albania	3.8	2.7	3.6	3.5	13.5	13.3

Source: Bank of Albania

Trade and Free Trade Agreements

Foreign Trade Regulations

Albania applies a liberal trade regime while its foreign trade has been liberalized since 1990 and follows the guidelines set by the European Union and World Trade Organization. Albania has been a member of WTO since 2000 and applies WTO rules on import licensing. As a result of this liberalization and an on-going process of harmonization of Albanian customs rules with the EU system, imports and exports of commodities are not generally subject to special authorization requirements. Exceptions apply to quotas or control requirements imposed through different bilateral or multilateral agreements signed by Albania. Licenses are also required for specific commodities with restricted circulation within the country such as military or strategic goods, radioactive materials and psychotropic substances, drugs etc.

The country's trade policies compilation subdued to some duties generated by its membership as well as to the need for adoption of country's legislation in conformity with global trade rules. Albania committed to:

- liberalize its tariff regime by employing a tariff reduction process (bound rates and sectorial initiatives);
- to perform all commitments derived by the agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Standards (SPS);
- Albanian Customs Code emphasizes that custom valuation will take place in compliance with the requirements of WTO;
- Albania is a member of WIPO (World Intellectual Property Organization) since 1992 and it has recognized some international agreements in this area. Albania has committed to implement the entire TRIPS Agreement and the legislation regarding author's copyrights. Albania has also signed the respective memorandum related to Intellectual Property Regime.

Exports are not subject to any export taxes, fees or other barriers. Imports are not subject to any import duty taxes other than customs duties. Imports are subject to VAT and some items, such as tobacco, alcoholic beverages and fuel are also subject to an excise tax.

The Stabilization and Association Agreement (SAA) with Albania, signed on 12 June 2006, entered into force on 1 April 2009, following the ratification by EU member countries. The part of the Stabilization and Association Agreement (SAA) which is considered the Free Trade Agreement (FTA) between Albania and the EU was separated from the general agreement under the title "Interim Agreement" and entered into force on December 2006. The SAA supersedes the Interim Agreement which is now an integral part of the SAA.

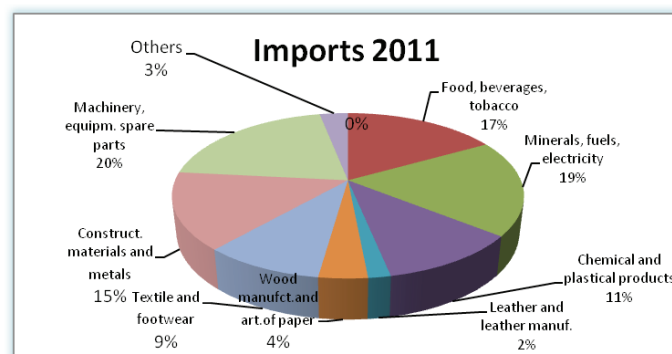
Albanian exports benefit from the free trade agreements that Albania has signed with EU, CEFTA and EFTA countries and Turkey.

Trade Developments

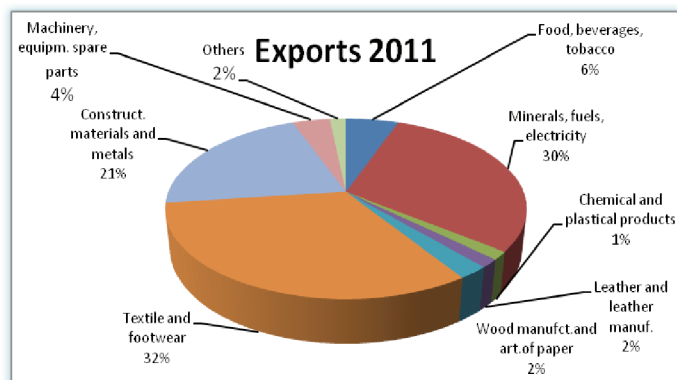
Trade volume in 2011 rose by 23.9 % compare to 2010, with imports rising by 12.4% and exports by 20 %. During 2011 total imports amounted to 544,004 million ALL (3,867.09 million Euro million euro) and exports amounted to 197,459 million ALL (1,404.16 million euro).

The EU remains the main trading partner of Albania, providing 64.1 % of imports and receiving 72.5 % of Albania's exports. In order of trade volume in 2011, Albania imports mainly from Italy, Greece, China, Germany and Turkey, and exports to Italy, Kosovo, Turkey, Greece, Spain and Germany. Italy and Greece represent respectively 47.7 % and 16.6 % of imports, and 73.3% and 7.1% of exports.

- Almost 30 % of exports were realized by the group "Minerals, fuels, electricity".
- 32% of exports and 9% of imports were realized by the group "Textiles and Shoes".
- The group "Machinery and equipments" represented 20% of imports.
- The group "Construction materials and metals" represented 15% of imports and 21% of exports.



Source: INSTAT



Source: INSTAT

Free Trade Agreements

Stabilization and Association Agreement

As an important achievement toward EU integration, the Stabilization and Association Agreement includes the establishment of a free trade area between Albania and the EU in a 10 year time frame. This liberalizes trade relations between the EU and Albania in terms of tariff barriers for both agricultural and industrial goods. The SAA was ratified on April 2009 and supersedes the Interim Agreement which is now an integral part of the SAA. It guarantees the:

- Establishment of a free trade area according to the commitments of Albania under the agreements signed with the World Trade Organization (WTO) and in concordance with article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994;
- Implementation of a transitional period, which establishes a free trade area between the two parties, over a period of ten years, divided in two five year periods. The first period foresees: (i) tariff reduction for sensitive industrial products, agricultural products, processed agricultural products and fish products; (ii) different transitional periods for further liberalization of trade in services, public procurement, technical barriers to trade, etc. The provisions of the second period are subject to negotiations at the end of the first phase;
- Elimination of all quantitative trade restrictions, or other measures with a similar effect;
- Gradual elimination of custom tariffs, to ensure the complete liberalization of industrial products, as well as a more balanced liberalization policy for the agricultural goods at the end of the transitional period;

- Convergence and harmonization of trade legislation with EU legislation, leading to a contemporary and appropriate legal framework with respect to: protective mechanisms, anti-dumping, provisional protective measures, technical trade barriers, sanitary and phytosanitary measures, protection of intellectual property, etc;
- Elimination of fiscal discrimination resulting from tariffs and taxes which are applicable in both parties' territories.

Central European Free Trade Agreement (CEFTA)

On December 19, 2006, all of Albania's bilateral trade agreements with countries in the region were transformed into a multilateral one, the Central European Free Trade Agreement (CEFTA 2006), which includes eight countries: Albania, Macedonia, Montenegro, Kosovo, Moldova, Croatia, Serbia and Bosnia and Herzegovina. For Albania, Macedonia, Kosovo and Moldova, CEFTA officially came into effect on 26.7.2007, while for Croatia it entered into force on 22.8.2007, for Bosnia and Herzegovina, on 22.11.2007 and for Serbia on 24.10.2007.

CEFTA's main objectives are, inter alia, to expand trade in goods and services and foster investment by means of fair, stable and predictable rules, eliminate barriers to trade between the Parties, provide appropriate protection of intellectual property rights in accordance with international standards and harmonize provisions on modern trade policy issues such as competition rules and state aid. It also includes clear and effective procedures for dispute settlement.

CEFTA envisages the abolishment of customs restrictions for industrial and agricultural products in the CEE countries. In addition, the Agreement stipulates accumulation of products origin, meaning that products exported from Albania are considered of the Albanian origin if integrated materials originate from any other CEFTA country, the European Union, Iceland, Norway, Switzerland, Liechtenstein or Turkey, provided that such products have undergone sufficient processing.

The most important development for 2011 is probably the signature of the additional protocol. After two years of negotiations, Albania, Croatia, Macedonia, Montenegro, Moldova and Serbia agreed on more liberalized concessions in trade of agricultural products by signing the Additional Protocol to the Agreement. The Parties abolished

all customs duties on imports, all charges having equivalent effect, and all import duties of a fiscal nature in trade between them on all the products other than those subject to bilateral concessions

The Agreement fully conforms to the WTO rules and procedures and EU regulations
 European Free Trade Association (EFTA)

On December 2009, Albania signed an FTA with the European Free Trade Association (EFTA). EFTA member states are Iceland, Liechtenstein, Norway and Switzerland.

Following ratification of the EFTA- by Liechtenstein, Switzerland and Albania, the Agreement entered into force between these three parties on 1 November 2010. The agreement entered into on 1 August 2011 for Norway and on 1 October 2011 for Iceland. The Free Trade Agreement between the Republic of Albania and the EFTA states focuses on the liberalization of trade in goods. Both EFTA and Albania will abolish all customs duties on industrial products, including fish and other marine products. Bilateral arrangements on agricultural products between the individual EFTA States and Albania also form part of the instruments establishing the free-trade area between both sides.

Free trade agreement with Turkey

Albania has also a Free Trade Agreement with Turkey, signed in 2006 and entered into force on May 2008. According to the agreement, no tariffs will be put on Albanian industrial goods exported to Turkey and tariffs for certain Turkish products will be reduced before they will eventually be exempted in five years. Regarding to agricultural products, the countries have granted each-other tariff quota.

Diagonal cumulation

Diagonal accumulation (based on the principle which enables you importing countries, which after a certain degree of processing, goods originating them as their own)

The application of diagonal cumulation between Albania, Croatia, Macedonia, Serbia and the EFTA States is foreseen by the Free Trade Agreements that these countries have signed with the EFTA States. The cumulation between Serbia, Norway and Switzerland it has already started on 01 June 2011.

II.The U.S. Generalized System of Preferences (GSP) Program

The U.S. GSP program provides duty-free treatment for about 3,400 types of exports from Albania. The purpose of the GSP program is to give these exports a competitive edge in the U.S. market. U.S. companies and customers are especially interested in buying goods through the GSP program because the exports are not charged tariffs, upon entering the United States.

Many items are eligible for GSP duty-free treatment. These include most manufactured goods; inputs used in manufacturing; jewelry; many types of carpets; certain agricultural and fishery products; and many types of chemicals, marble, and minerals.

Albania and the U.S. Generalized System of Preferences (GSP) Program

II.The U.S.Generalized System of Preferences (GSP) Program

The System of Preferences General (GSP) is a US trade program designed to promote economic growth in developing countries by providing preferential duty-free entry of up to 3,500 products from 128 countries including Albania & Kosovo.

The purpose of the GSP program is to give these exports a competitive edge in the U.S. market. U.S. companies and customers are especially interested in buying goods through the GSP program because the exports are not charged tariffs, upon entering the United States.

Many items are eligible for GSP duty-free treatment. These include most manufactured goods; inputs used in manufacturing; jewelry; many types of carpets; certain agricultural and fishery products; and many types of chemicals, marble, and minerals.

Albania is a country that can benefit by this system and more products like vegetables and processed fruit, mineral water, medicinal plants, spices and many other minerals & marble produced and processed in the country, are in the list of products that can be exported to America with preferential duty free treatment.

Exports of Albanian products without customs duties (duty-free treatment) to the U.S. expected to increase considerably Albanian domestic manufacturing capabilities and push them towards increasing technological standards.

Labour Costs and Regulations

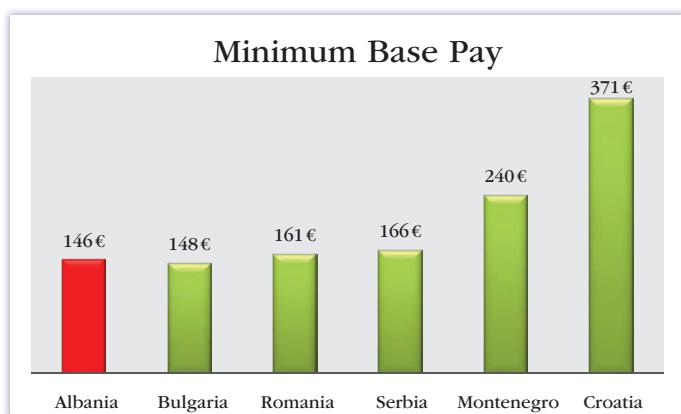
Albania offers not only a highly skilled labour force but also one of the lowest labour costs in the region. Labor relations between employee and employer are regulated by individual employment contracts pursuant to the Labor Code of the Republic of Albania and Law no. 8549, dated 11.11.1999 "On the Status of the Civil Employee".

Albania adheres to all basic international labor organization conventions protecting worker rights.

Minimum Wage

The minimum wage in Albania is 21,000 ALL (starting from 01.07.2011)¹ (approx. 146 Euro). The basic minimum monthly salary is paid for 8 working hours per day.

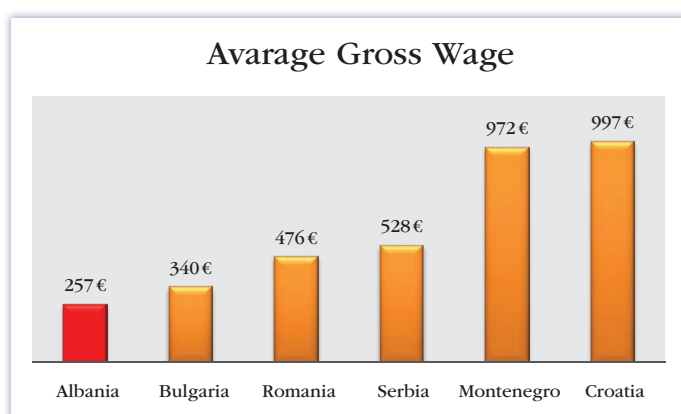
Minimum Base Pay (Euro) – Comparison with region



Source: Federation of European Employers 2011

According to INSTAT data, the average wage (public and private sector) is 36,075 ALL (approx. 257 Euro)

Average Gross Wage in Euro - Comparison with the region



Source: Federation of European Employers, SIEPA, INSTAT

Mandatory Social Insurance Contributions

Social insurance is 27.9% of the gross salary (with the employer paying 16.7% and the employee 11.2%).²

Insurance composition:

Diseases	0.3%
Maternity	1.4%
Pension	21.6%
Accidents and occupational diseases	0.3%
Unemployment insurance	0.9%
Health insurance	3.4%

Calculation of Total Costs to Employer	EURO
Gross salary	
Personal Income Tax (on the source)	10%
Employee share (Social ins. Health Ins. and other)	11.2%
Net Salary	
Employer Share (Social ins. Health Ins. and other)	16.7%

Employment structure by sectors:

The employment structure by sectors refers that during the period of years 2010 - 2012:

- 17.8% of the employees are employed in the public sector;
- 27.6 % of the employees are employed in the non-agricultural private sector;
- 54.6 % of the employees are employed in the agricultural private sector.

¹According to the Decision of the Council of Ministers no. 527, dated 20.07.2011

²Decision of the Council of Ministers no. 1114, dated 30.7.2008, as amended by DCM no. 541, dated 27.07.2011.

Employed by economic activity

Employed by economic activity (by NACE)				
end of period				%
Economic activity	2008	2009	2010	2011
Total	100,0	100,0	100,0	100,0
Agriculture, Forestry, Fishing	58.3	55.2	55.3	54.6
Industry	8.8	9.3	9.2	9.9
Construction	4.7	4.4	4.25	3.7
Trade	5.4	6.4	6.3	7
Transport and Communication	2.6	2.5	2.6	2.8
Other Services	12.1	13.3	13.3	12

Source: INSTAT

Labor Regulations

Employment contract

Employment contracts can be for a **limited** or an **unlimited time period**, although most are issued for an unlimited period. Unless specified in the contract, the duration will automatically be considered an unlimited period contract.

Employment contracts must be presented in writing within 30 days from the starting date of employment and include the following: identity of the parties, the place of work, job description, starting date of employment, duration of the contract, holiday allowance, period of notification for the termination of the contract, salary details, and normal weekly work hours.

The first 3 months of employment are a **Probation Period** but it can be reduced or removed with a written agreement or a collective agreement (with all employees or representatives of trade unions).

Working hours and holidays

- Normal work hours are no more than 8 hours a day (40 hours per week).
- Normal work hours for employees less than 18 years are no more than 6 hours a day (Employment of the juveniles under the age of 16 is prohibited. This prohibition does not apply to the juveniles from 14 to 16 years, when they are employed during the school holidays, provided that this employment doesn't harm their health and growth).
- The work done on Sunday or on other official holidays shall be compensated with a wage in-

crease not less than 25% or with a leave from duty equal to the duration of the performed job plus an additional leave from duty not shorter than 25% of the duration of this job, which will be taken one week before or after it has been carried out.

Annual leave

- Employees are entitled to a paid annual leave no less than 28 calendar days.

Overtime work & remuneration

- Overtime hours are any additional hours over the normal work day or hours over the normal work day of a part time employee.
- A full time employee can only work up to 10 supplementary hours a week (maximum working week 50 hours).
- Work between the hours of 1900 and 0600 must be paid with a bonus of 20% to 50% of the regular rate.
- Overtime hours must be paid with a bonus of 25% of the regular rate.
- Overtime hours during the weekends or official holidays are remunerated with time off or an increase in salary no less than 50% of the additional hours or the normal salary unless a different agreement has been signed as a collective contract.

Termination of employment contract

The termination of an employment contract should respect the regulations of the Labour Code. Employee termination differs based on the kind of contract.

- Termination of the employment contract for an unlimited period – termination by one contracting party occurs after a 30 day minimum notice period.
- **Termination of employment contract for a limited period** – termination at the end of the period determined in the contract.
- **Termination during the probation period** – during the first 3 months of employment, the notice period is 5 days.
- **Immediate termination** – this can occur at any time for justifiable causes. In case of unjustifiable causes the employer may be required by a court decision to pay a penalty of not more than one year's salary.
- **Mutual agreement** – both parties agree to terminate the employment contract.



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Retirement Age

As it concerns the social insurance system in Albania, it is important to mention that at present a reform of the system is taking place. Starting from 1st July 2011 the retirement age in Albania, by category, and other requirements are as follows:

<p><u>1st category³:</u> Work performed by civil and military aviation and submarines; mechanics, some type of work in mining enrichment plants copper chromium etc; Also the work done by artists of ballet, actors of circus, musicians. Other professions in the military, chemical, oil industry.</p>	<p><u>Requirements:</u></p> <ul style="list-style-type: none"> - 59 years old for men, 54 years old for women - 32 years of contribution for both - have withdrawn from economic activity.
<p><u>2nd category:</u> Work performed in mines, by management and engineer-technical staff, related to the control of underground work; work in the mines in the surface, some professions in geology, in the rubber industry, oil and gas in power plants, the railways, the production of cement, and glass; over 45 types of jobs in textile industry, industry of leather, wood and paper, cigarette tobacco, health institutions, construction, over 20 types of jobs in water transport and fishing, service of communication, female and male active military service, senior veterinary education, 18 occupations in education, culture and sport, as educators in kindergartens, professional trainers. Effective on all categories of sports clubs, some types of jobs in the health such sector, as doctors, surgeon, psychiatrist, nurses, infectious departments etc.</p>	<p><u>Requirements:</u></p> <ul style="list-style-type: none"> - 64 years old for men, 59 years old for women - 35 years of contribution for both - have withdrawn from economic activity.
<p><u>3rd category:</u> Work performed by civil workers, economists, financiers, lawyers, managers, translators, storekeeper, maintenance workers, drivers, employees of the trade, business, agriculture, the livestock, etc.).</p>	<p><u>Requirements:</u></p> <ul style="list-style-type: none"> - 65 years old for men, 60 years old for women - 35 years of contribution for both - have withdrawn from economic activity.

The scheme will be in continuous changing till 2023 (for the 2nd category, the age requirement of 65 years for men and 60 years for women will enter into force on 01.07.2013; for the 1st category, the age requirement of 65 years for men and 60 years for women will enter into force in 2023).

Individuals that meet the requirements on the scheme above are entitled for full retirement pensions⁴. Individuals that do not meet the requirement of years of contributions of the scheme above, retire with partial pension. In any case individuals, in order to be en-

titled for a partial pension, need at least 15 years of contributions.

Individuals have also the option of the reduced pension if they want to retire earlier (e.g. categories that have a higher age requirement than specified above). In order to qualify for the reduced pension the following criteria must be fulfilled:

- age 62 for men and 57 for women;
- 35 years of contributions;
- not engaged in any economic activity as employees, employers or self-employed.

³For further details regarding the categories refer to DCM no. 526, dated 20.12.1958, "On the division of jobs in categories for pension effects".

⁴Article 92 of the Law no. 7703, dated 13.05.1993 "On Social Insurance in the Republic of Albania", as amended by Law no. 10447, dated 14.07.2011.

Education System, Skills and Strategies

Educational System in Albania

Education in the Republic of Albania is public and private. According to the Ministry of Education and Science, the private education must be in accordance with the rules and regulations set forth by the Ministry of Education and Science. The structure of the Education System in the Republic of Albania is divided into the following:

- *Pre-school education*
- *Basic education (primary level, lower secondary, special education)*
- *Upper Secondary education (secondary schools, vocational education, social-cultural education)*
- *Higher education*
- *Adult education*

			Post-graduate Education		
25			Higher Education - University		Higher Non-University Education
24					
23					
22					
21					
20					Art & Social School*
19	XIII				
18	XII	Comprehensive Secondary Edu - cation	Vocational/ Technical Education		
17	XI				
16	X				
Compulsory	15	IX	Upper Primary Education		
	14	VIII			
	13	VII			
	12	VI			
	11	V			
	10	IV	Lower Primary Education		
	9	III			
	8	II			
	7	I			
	6				
5		Pre-school Edu - cation			
4					
Age	Grade				

Basic Education

The aim of the compulsory basic education is to provide students with intellectual, creative, practical and physical skills; develop their personality and offer key elements of general culture and civilized behavior. Compulsory

basic education starts at the age of 6 and lasts no less than 9 years.

According to Article no.10 of Law no.7952, dated “Pre-university education law”, changed, students from minority groups (Greek, Macedonian, etc.), have a right to study in their native language and learn about the history and culture of their own country, within the framework of the plans and programs of the educational programs approved from Ministry of Education and Science.

Secondary Education

Secondary General Education provides a general culture that is expanding and deepening the culture and knowledge gained through basic education. General secondary schools may design educational programs to enable students to acquire knowledge, skills, and abilities for personal preparation necessary for studies in high school or for a specific professional training. The duration of general secondary education lasts three years.

Professional Education prepares the next generation of skilled workers. To strengthen the professional education system the Ministry of Education and Science has undertaken significant reforms in recent years. Professional education may last minimum of two years and a total of four years. On completion of each level, (2+1+1) the student is certified and decides to move to the next level of professional training or starts working. In the case of technical education, the program lasts four years.

After completing secondary education (general or professional) students can begin post-secondary professional education lasting 1-2 years.

Foreign Languages Secondary Schools are an integral part of secondary education, with a duration of three years, and aim to provide more in depth teaching in one (or more) foreign languages, in addition to the general curriculum.

While, **Bilingual training sections** provide bilingual education school of students in two languages (mother tongue and a foreign language). Bilingual school sections have a three year period and their performance is based on bilateral agreements (ex. agreement with the Italian government, French and German)



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Secondary education in the area of arts or sports is an additional opportunity given to gifted or talented students, i.e. students who have specific abilities in areas such as arts, choreography or sports. Arts and Sports Secondary schools are of three or four years duration, depending on the branch of study.

Higher Education

Following the adoption of the Bologna Declaration in 18 September 2003, the Albanian higher education was involved in a process of reform and restructuring, aligned with the Bologna process.

These developments fully comply with the National Strategy on Higher Education 2008-2013 (SKALA), which also encapsulates the proposals of the Albanian Government on strategic policies for Higher Education development for the 10 coming years.

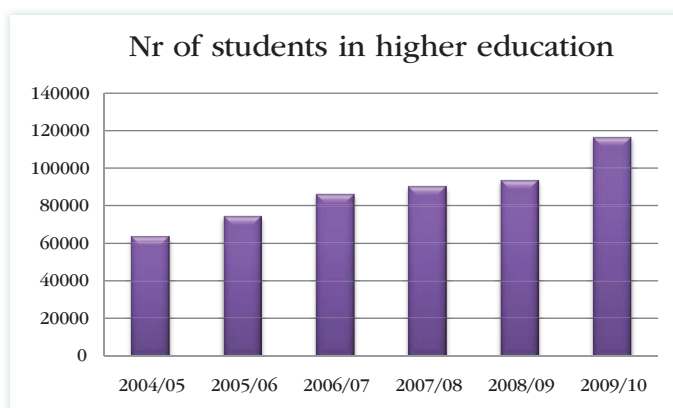
As in all European Union Countries, The Higher Education system in Albania **includes** Universities, Academies, Professional Colleges, Higher Schools and Inter-University Centers, offering **accredited study programs**.

According to the Public Accreditation Agency For Higher Education (APAAL)¹, the system of Higher Education Institutions consists of 14 public and 47 non public, and the **Centre for Albanology Studies**.

Forms of study in the Higher Education Institutions are: Full-time learning, part-time learning and distance learning.

Statistical Data on the Numbers of Students and Students

Table 1



Source: INSTAT

Table 1 provides statistical data on the numbers of students in the Educational system in Albania during school/academic years 2004-2010.

There is an increase in the numbers of students enrolled in the higher education over the last four years. For 2007 – 2010 The Ministry of Education and Science is implementing the program “Quality and Equality in Education.” The program’s aim was to offer equal opportunities and chances to all -particularly to the marginalized levels of society-to attend basic education. The Ministry of Education and Science drafted this year a National Action Plan to reduce to zero school dropout rates in the Basic Education.

Strategies for all levels education development envisage achieving the following over the 4 forthcoming years:

- *Provide every pupil completing the 9-year education with an opportunity to attend secondary education;*
- *Increase the numbers of students attending vocational education by at least 10%;*
- *Increase the numbers of students by 10% every year; to reach an amount of 150 000 students in the Academic year 2013-2014;*
- *Increase the numbers attending private education by at least 2% of the total numbers of students and students;*

Data on public funding in education for the recent years:

According to the Ministry of Education and Science, public funding in education has shown an average annual increase rate of 11%; or 370.9 million EUR. In 2009 this funding accounts for 3.7% of the GDP. In absolute amount, the public funding has augmented around 3 times between 2000 and 2009.

This positive trend of public funding is sustainable, (*according to mid-term predictions for 2010 -2012*) and is a result of the goal of matching the ratio public funding in education/GDP to that of other countries of the Region or of the EU. The proportion of public and private financed expenditure/GDP on education in 2009 reached a percentage of 4.5%

¹www.aal.edu.al

An average of 18% of public funding on education is allocated to the Secondary Education (general and vocational); 19% of the funds have gone to the Higher Education.

Measures to integrate young people into the job market or higher education and VET, including educational and vocational guidance.

Pursuant to the relevant legal framework, the right to employment and continuing education and training is guaranteed for all. Upon completion of the 9-year (compulsory) basic education, every young person reaching the age of 16 has the right to get an employment, in compliance with rights and obligations set forth in the *Labor Code of the Republic of Albania*.

Having an employment or not, all are entitled to attend part-time secondary or higher education, or continuing training offered by the Professional Training System. Most of the young people, According to MES (around 90% of them) attend secondary education (either general or vocational).

Students completing the General Secondary Education (GSE), have several opportunities:

- *To be employed, without having gained any professional qualification first;*
- *Carry on with higher university education studies;*
- *Continue studies in the post-secondary cycle with an aim of gaining a vocational qualification;*
- *Attend vocational training courses.*

Most of the students (around 76% in 2008) who successfully complete the GSE pursue their studies in the Higher Education Universities.

Higher Education

The monitoring and assessment mechanisms for education institutions in the **HE system are:**

- *The internal assessment units ensuring quality at higher education institutions;*

- *The Public Agency for the Accreditation of Higher Education (PAAHE) and the Accreditation Council (AC);*
- *The Council for Higher Education and Science (CHES);*
- *The MES, respectively the Auditing Directorate and the Sector for Curriculum and Quality Assessment with this Ministry.*

Higher education institutions are responsible for ensuring and assessing internal quality. To this end, they set up relevant units composed by members of the academic staff, one representative of student organizations within the institution and one external expert.

PAAHE is the public agency responsible for the accreditation of study programs, ensuring and conducting an external assessment of quality at higher education institutions, and it functions in an autonomous fashion.

Accreditation Council (AC) functions as a collegial body of PAAHE and submits recommendations by the evaluation reports. AC is independent body and makes its recommendations public. Its members serve a 5-year term and they are nominated by the Minister of Education and Science after a competition.

Evaluation and accreditation are based on state quality standards, which are based on guidelines of quality assurance of higher education in European space. They are sanctioned by the laws of MES following proposals from PAAHE and CHES.

Monitoring and evaluation of quality is carried out for each program of study and any institution of higher education diplomas issued before the first, and this process is done periodically every six years. Procedures, requirements, criteria and standards for monitoring, evaluation and accreditation are the same for public and private institutions of higher education.

CHES is the advisory body of the Ministry of Education and the Council of Ministers for development policies in higher education, research and technological development in the country.

Statistics on ICT use in education and training, including the number of students per computer and distance learning facilities

In 2005, the *Master Plan* was drafted for the Albanian program on e-schools, which was implemented between 2005 and 2009. In support of this Plan, on 19.12.2005 a *Memorandum of Understanding with the United Nations Development Program* was signed for assistance in the technical management of the plan.

During 2007-2009 the government made priority investments on IT in schools. According to MES by the end of 2008-2009 academic school year, the situation was as follows:

- Basic education 2,7 %;
- Basic Secondary Education 5,3 %;
- Professional Education 7,7 %.

Students receive a professional degree maturity entitled "ICT Technician." Another form of incorporating ICT is integrated through the content of teaching in different subjects, or specific professional practices.

These include "technical drawing software" and teaching practices called "teaching office", applied in occupational fields such as "economy-businesses", "hotels", "agricultural business", etc..

Teaching of the official languages of the European Union

The Albanian education system offers foreign languages teaching starting with 3rd grade children in public elementary education and 1st grade in private elementary education until university. Foreign language in basic education (3rd – 9th grade) is taught by foreign language teachers graduated in the HEI of the Republic of Albania.

Higher education in the Republic of Albania offers the instruction of these foreign languages: *English, French, German, Italian, Spanish, Russian, Turkish and Greek*. Upon completion of their studies, students graduate in various fields as foreign language teachers, specialists or foreign language translators for the languages above.

Number of students who learn foreign languages in primary education (3rd - 9th grade)

Table 3

Foreign Languages	Elementary 3 rd – 5 th grade (PC)	Secondary 6 th - 11 th (SC)	PC %	SC %
English	95,380	147,139	82.4	78.5
French	15,583	31,642	13.4	17
Italian	4,762	8,482	4.2	4.5
Total	115,725	187,263	100	100

Source: MES official statistics 2009-2010

Number of students who learn foreign languages in upper secondary education (10th – 13th grade)

Table 4

Foreign Languages	General High School	Professional Education (PE)	General High School %	PE %
English	70,402	12,627	77.6	77.2
French	14,671	2,260	16.2	13.8
Italian	5,438	1,351	6.0	8.3
German	203	112	0.2	0.7
Total	90,714	16,350	100	100

Source: Official statistics of the Ministry of Education and Science 2009-2010

In our country there are two specialized academic structures in teaching and graduate training in various stages of study of foreign languages: Faculty of Foreign Languages at the University of Tirana, Faculty of Foreign Languages at the University of Shkodra. Five other universities have Departments of Foreign Languages, where students graduate in English, Italian, French, German and Greek. Duration of study differs from their study cycles according to the Bologna process.

The Higher Education Institutions (HEI's) and the Research Institutions

There are about 5000 students studying computer sciences, information technology and other relevant sciences in the public HEI's. In the academic year 2009-2010, there were 1668 students admitted in the said study programs.

Table 8 – Students admitted in the IT sciences

No.	Study Programs	Number of students admitted in the first year for 2009-2010 (1st cycle)	Total number of students in 2009-2010 (1st, 2nd cycle, 1st level Master)
1	Electronic Engineering	107	599
2	Informatics	504	1328
3	Math Engineering and Informatics	100	425
4	Economic Informatics	87	315
5	IT Engineering	146	540
6	Geo-informatics Engineering	84	355
7	Information Technology	351	571
8	Computer network engineering	80	297
9	Math & Informatics	209	309
	Total	1668	4739

Source: Ministry of Education and Science

The measures taken to prevent poverty and social exclusion of young people.

The main document for the prevention of poverty and social exclusion in young people is about social inclusion strategy for 2007 - 2013, which has special focus on poverty and social exclusion, as they are risks that remain, even after economic growth. Among the measures taken to prevent poverty and social exclusion of their own, there are projects related to vocational training and qualification categories, in order to help them cope with the challenges of the labor market.

Another important measure is the opening of the youth employment in the employment offices. This will serve young people, their job orientation and training, and it also includes online services.

In addition, under the joint program between the United

Nations and the Government of Albania: “Youth Employment and Migration: Increasing the benefits and reduce risks,” a number of measures have been taken in view of reducing poverty and youth professional formation, by promoting employment and minimize irregular migration, especially for disadvantaged youth from rural areas of the District of Shkodra and Kukes.

Among the main measures for the years 2010-2011 are:

- Strengthening of professional training, including disadvantaged persons and other vulnerable categories;
- Increasing cooperation with the private sector regarding employment groups in need;
- Plans to open offices in the youth employment offices.

Ministry of Education and Science and Ministry of Labor, Social Affairs and Equal Opportunities, in cooperation with the German organization GiZ (German Society for International Cooperation GmbH.), have organized competitions to promote business projects through grants to young people, for those who completed secondary professional education. This model will be extended to students who complete their studies in technical, technological agricultural science, etc., In order to encourage and promote self employment and skills associated with entrepreneurship.

Access to Education of EU Citizens

Based on data of the MES, the number of the foreign citizens from the EU countries (including the foreign diplomats), who are residing in Albania, is 543. They are mainly from Greece, Italy, Germany, etc.. The education of the children of the foreign citizens is provided in the Article 11, paragraph 11.2 of the Law No. 7952, of 21.06.1995 “On pre-university education”, amended by the Law No. 8387, of 30.07.1998, which provides that: “the rights of the foreign citizens to education in the public educational institutions in the Republic of Albania is defined in the sub-laws issued by the Ministry of Education and Science”.

Albanian language courses for foreigners are offered at the Department of Albanian Language and Literature at the Faculty of History Philology of the University of Tirana.



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Company Registration and Business Licensing

Two major initiatives taken by the Government of Albania which aim to improve the business climate are the establishment of the National Business Registration Center (NRC) and of National Licensing Center (NLC). The legislation regarding business registration and licensing procedures is harmonized to EU standards with focus the reduction of administrative barriers for businesses operating in Albania.

These two one stop shop centres are based on an on line tracking system of documents and entire registering and licensing process for business in the country. Through this system, every applicant has the opportunity to get acquainted with the documentation that needs to collect before to apply for registration or receiving a permit/license, as well as to have a step-by-step tracking since the moment of presentation of the interested person at the center until receiving of the decision. The NRC and NLC are considered as success stories for the Albania business, for digital Albania and country in general.

• Company Registration

The Commercial Law no. 9901 "On Entrepreneurs and Commercial Companies") entered into force on 21. 05. 2008. This Law regulates the status of entrepreneurs, the founding and managing of companies, the rights and obligations of founders, partners, members, and shareholders, companies' reorganization and liquidation.

According to the Commercial Law, the types of business entities are:

- **General Partnership Company** - A company is a general partnership if it is registered as such, conducts its business under a common name and the liability of partners towards creditors is unlimited.
- **Limited partnership Company** - A company is a limited partnership, if at least one partner's liability is limited to the amount of his interest (limited partner), while the liability of other partners is not limited (general partners). General partners have the status of partners in a

general partnership.

- **Limited liability company**- A limited liability company is a company founded by natural or juridical persons who are not liable for the company's commitments and which personally bear losses only to the extent of any unpaid parts of stipulated contributions. Members' contributions constitute the company's basic capital.
- **Joint stock Company** - A Joint Stock Company is a company the basic capital of which is divided into shares and subscribed by founders. Founders are natural or juridical persons, which are not liable for the company's commitments and which personally, bear losses only to the extent of any unpaid parts of the shares in the basic capital they subscribed.
- **Branches and Representatives.**

According the Law No. 9901 persons authorized to manage a company may establish branches and representatives.

Branches are places of business without legal personality. They have a degree of permanence, their own management, and enter into agreements on behalf of the company.

Representatives are places of business without legal personality and without a management. They promote the business of the company and may also enter into agreements on behalf of the company.

Joint Ventures - According the Albanian Civil Code the joint ventures (simple company) are established by two or more persons, whether individuals or legal entities, foreign or national, agreeing to engage in an economic activity in order to share profits deriving there from

Registration in NRC

The registration of new business in Albania according to the Law no. 9723, dated 03.05.2007 "On National Registration Center" is done through NRC.

The NRC is a central public institution, with legal personality, subordinated to the minister responsible for economy and its legal seat is in Tirana.

According to the Law No. 9723, NRC has the following functions:

- a. Maintains the Commercial Register;
- b. Performs registration in the Commercial Register according to the provisions of the Law;
- c. Performs registrations of the Subjects provided by the Law for the fiscal, social insurance and healthcare, and for labor purposes;
- d. Issues certificates, abstracts of registrations and certified copies of other filed documents as provided by the Law;
- e. Discloses the registered data and guarantees the free access of the public;
- f. Accepts applications for licenses as provided by the provisions of the law and delivers them to the applicant after approval by the competent bodies;
- g. Informs and advises on registration and licensing procedures.

Obligation to register

The Subjects obliged to register in the Commercial Register are:

1. Physical persons exercising a commercial economic activity;
2. Simple partnerships provided by the Civil Code;
3. Commercial Companies;
4. Branches and representation offices of foreign companies;
5. Savings and Credit Companies and Unions;
6. Cooperation Companies;
7. Any other entity subject to registration in accordance with the Albanian law.

Entities that are excluded from registration in NRC are:

According to the Albanian legislation, non-profit organizations, foundations, institutes and political parties are excluded from the obligation to register in

NRC. They have to be registered in the court.

Application in NRC

The application for initial registration of new businesses may be done for 24 hours with a cost of 100 ALL at the service window at NRC's office in Tirana, or in any other NRC service window located in a municipality office. An application may be done at any NRC service window, regardless of the applicant's seat or location of activity. The on-line business registration is allowed.

Using a single application procedure, the NRC not only registers commercial companies in the Commercial Register but enrolls them as well with tax, social and health insurance authorities and the Labor Inspectorate.

Moreover, the principle "silence is consent" is applied; In case that NRC, within the mandatory term of 1 day from the presentation of the application for registration, does not perform the registration, notify the suspension of the application or does not notify the denial, the registration shall be considered as immediately accepted.

Documentation Required for Registration by the NRC

For registration of a new company in the National Registration Center the following documents are required:

1. Application form

To start the registration, the applicant must complete the application form. The application form is specific to different types of applying entities. Applications form and the instructions for their completion can be retrieved at every service window of NRC or can be downloaded from the NRC website. The applicant may fill out the form either at any NRC service window with the help of the service window clerk if necessary, or via the Internet, using the NRC's "Apply On-Line" function.



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2. Accompanying documents

- Original personal identification document (ID card), which the NRC service window clerk will verify, copy and scan, and return;
- Other accompanying documents

The list of the accompanying documents for the initial registration is specific to different legal forms of companies. The applicant may find the list of the accompanying documents attached to the relevant application form, which can be obtained either at any NRC service windows or in the official website of NRC.

For more detailed information about Company Registration, please refer to the NRC website at www.qkr.gov.al

• Business Licensing

Based on Law no. 10081, dated February 23, 2009, which reforms the business licensing process in Albania, the National Licensing Center (NLC) has started its activity as a central public institution, which is subordinate to the minister responsible for economic issues, since June 2009. This law aims at improving the business climate, through reduction of administrative barriers regarding free initiatives to conduct economic, commercial, or professional activities, or regarding the use of public goods, guaranteeing at the same time the safeguard of public interests, while carrying out the above-mentioned activities and using public goods.

With its one-stop-shop services and shortened, transparent and quick procedures, the NLC has reduced the administrative barriers to free enterprise, reduced the costs of business related to the licensing process and minimized the level of informality, thus improving considerably the business climate in Albania.

The NLC functions:

- a. to handle licensing/permitting procedures, and procedures related to change and revocation,

as provided with the licensing legislation;

- b. to maintain and administer the National Register of Licenses and Permits;
- c. to guarantee free access to the public, in accordance with the provisions of the legislation;
- ç. to inform and advise applicants and the public at large, as regards the license/permit procedures;
- d. to give an opinion for any legal or sublegal initiative in the field of licenses/permits;
- dh. to conduct studies on the quality of the regulatory environment, to support with information, to provide analysis and advise to central and independent institutions regarding their normative and organizational initiatives in the field of licenses/permits, and to support the Ministry and/or the Council of Ministers in drafting policies for improvement of the regulatory environment.

According to article 5 of the Law No. 18001, Carrying out activities and actions in the territory of the Republic of Albania is, as a rule, free and not subject to any license or authorization, except when otherwise provided with the law.

Licenses and permits, and/or respective subcategories which fall under the competence of the NLC are divided, into three groups.

The first group included those categories or subcategories that require only the applicant's self-declarations, in order to evaluate whether criteria are properly fulfilled.

The second group included those categories or subcategories that besides the applicant's self-declarations require also proof documents to be submitted by the applicant, at least for one of the criteria.

The third group included those categories or subcategories for which assessment of criteria (at least for one of them) must be based, not only in what is provided for in paragraphs 2 and 3 of this article, but also on a process of inspection, testing, competition, interview, or any other assessment method.

Depending to their nature and requirements to which they are subject, not all licenses and permits are subject to the examination by the National Licensing Center. As a general rule, applications for obtaining

an authorization are examined directly by the competent public authorities without intervention of the National Licensing Center. Authorization process may become part of the licensing process in the case of the license belonging to Group III, as well as, only when the authorizations requirements coincide with one or more licensing requirements.

Furthermore, the Law no 10081, dated on 23.02.2009 regulates 12 licensing areas, where licenses/permits are processed by/through the NLC or without the involvement of NLC.

As regards to the areas where the licenses/permits are processed without the involvement of NLC, the licensing system is regulated by the sector related legislation. Such licensing legislation exist in the following sectors :

- Banking financial service ;
- Non-banking financial services (insurance, securities, bondsof joint stock companies and local governance, collective investment enterprises, retirement funds etc.)
- Broadcasting services ;
- Services in energy sector (production, transmission, distribution, supplying and trading the electrical power ; transmission, distribution, supplying and trading of natural gas ; operation in the depositing premises of natural gas and operation in the NLG plants) ;
- Air, maritime and road transport services ;
- Gambling ;
- Postal services ;
- Concessions (law on concessions provides that certain economic activities are subject to a concession agreement , see factsheet no 1).

Licensing through NLC

Requests for licenses/permits or respective sub-categories may be done at the service window at NLC's office in Tirana, or in any other NLC service window located in a municipality office a cost of 100 ALL. An application may be done at any NLC service window, regardless of the applicant's seat or location of activity.

Requests shall comprise filled out standard application forms and required enclosed documents. The applicant himself/herself or a person duly authorized may submit the request for application at the NLC service window. The NLC it's not be entitled to require from applicants further documents or information, which are not included in the standard form.

The NLC review applications and take a decision within two working days from the request submission for group one and four working days for group two. The NLC makes a preliminary examination of the requests for the third group and when there is no ground for rejection publish in the Register preliminary decisions for transition to the second phase of review process, and notified by electronic means, the other institutions that are involved in the criteria examination process, for their part of criteria, falling under their competence.

The assessment of fulfilment of licensing or permitting criteria is based accordingly on: applicant's self-declarations, documents issued by other public bodies or private institutions, assessments made, preliminary inspections taken place, tests, contests, interviews, hearings or other adequate methods that have been employed. The procedure to handle the applications for licenses or permits is clear, simple, transparent and is relied on the following:

- a. 'silent consent' principle;
- b. electronic communication and information means, including the possibility for *on-line* application;
- c. the one-stop-shop model;
- ç. Integrated exchange of information and documents among public bodies.

For more detailed information about instructions for registration, please refer to the NRC website at www.qkl.gov.al



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Taxation

Tax legislation

Tax legislation in Albania is managed through the General Tax Department and is subject to frequent improvements and amendments due to the EU integration process and modernization of the Albanian public administration. More detailed information on tax legislation in Albania, can be found in the web page of the General Tax Department www.tatime.gov.al.

Tax and tariff regime in the Republic of Albania consist in a package of laws, directives, regulations and tax agreements displaying a complete review of all levels of calculations, procedures, methods and forms of tax control.

Legal and/or physic persons in the Republic of Albania are subject to the following taxes:

Tax	Tax rate
Tax on Profit	10 %
Personal Income Tax	10 %
Source Tax	10 % ¹
Value Added Tax	20% ²
Tax on immovable property.	Tax level for buildings is between 5 – 200 ALL/m ² /year according to the type of buildings and the area where it is located. Tax level for agricultural land is between 700 – 5600 ALL/ha/year according to the category of land and district where it is located.
Excise duty	Levied on coffee, beer, wine, alcohol and alcoholic drinks, tobacco and its by-products, oil and their by-products, fireworks, tires, cells and primary batteries, packaging, incandescent lamps

Change of the Tax Returns

Based on the Law no. 9920 dated 19.05.2008 “On tax procedures”, (changed) Article 67, any taxpayer has the right to amend a tax return of a specific tax period within the period of 12 months from its submission. New amendments provide for a penalty to be associated with the change of the tax return by the taxpayer. The penalty to be imposed in case of change of a specific tax return is 5% of the outstanding liability per each month of delay, but not exceeding 25% of it.

Corporate Income Tax

Tax Rate Effective January 1st 2008, the Albanian corporate income tax rate was reduced from 20% to a flat rate of 10%, as enumerated under Law no. 9766, dated 09.07.2007, Amendments to Law No. 8438 dated 28.12.1998 “On Income Law.” The 10% rate is applied in a net basis to business profits, capital gains, and other income earned by Albanian resident companies, partnerships, as well as permanent establishments of non-resident companies.

Resident taxpayers are subject to this tax on their worldwide income. Nonresident taxpayers are taxed only on their Albanian source income.

A legal person is considered as an Albanian resident if:

- has a permanent establishment (head office) in the Republic of Albania;
- has a business point of effective management in the Republic of Albania

Kemi kerkuar dhe nuk e pame kete pohim ne ligje. Ne vleresimin Tuaj

If a resident has a house in Albania, or has stayed in Albania for more than 183 calendar days in a year, then he has to owes taxes to the Albanian tax department. Joint tax filing is not permitted in Albania, each individual must file taxes separately.

In addition, as of May 2009, the social insurance contribution payable by employers is 15%.

¹According to Law no. 8438, dated 28.12.1998 “On the personal income tax” (as amended), personal income from employment are taxed according to the following scheme: for salaries up to 10,000 ALL tax is 0%; salaries to 30,000 ALL tax is 10% of the amount over 10,000 ALL; salaries over 30,000 ALL tax is 10% of the amount over 0 ALL

²Unless otherwise foreseen by law no. 7928, dated 27.04.1995 “On value added tax” (as amended)

Corporate Tax Rate

Albania corporate tax rate is a flat 10 %

Profit Tax Rate	10%
Capital Gains Tax Rate*	10%
Branch Office Tax Rate	10%
Withholding Tax**	
Dividends	10%
Interest	10%
Royalties from patents, know-how, etc.	10%

* Capital gains are included in the personal taxable income and taxed at the regular tax rates. No separate capital gains tax is imposed on companies in Albania.

** These withholding taxes are final withholding taxes.

Note: Withholding Tax, Dividends, Interest, Capital Gains Tax are included in the personal income tax base, in the Albanian legislation.

The company can carry forward losses for 3 years. However this does not apply when there are changes of more than 25 % in ownership titles.

The annual depreciation rate on all those assets like buildings, machinery & equipment which serve for more than 20 years is 5% while as it is 25% in case of computers, IT (information technology) hardware & software products, and data back-up devices. In case of intangible assets like patents, trademarks and expenses for starting the business the depreciation rate is 15 % per annum.

Tax base

Taxable income is determined based on the balance sheet and its annexes. Such documents are prepared according to the requirements of the law **no. 9228, dated 29.04.2004** "On accounting and balance payments" and other rules and regulations of Ministry of Finances of Albania. Profit or net taxable income is the difference between total revenues (in kind revenues included) and deductible expenses. The tax

period correspond to the calendar year beginning on January 1st and ending on December 31st.

Depreciation of assets

Depreciation of assets is a key deductible expense. Depreciation shall be calculated by:

- The owner of assets of business, or
- The person who bears the risk for losses or damage of assets, in cases of assets given in rent, usufruct, or any other form as provided by legal provisions.

According to the Albanian legislation, depreciation of assets can be calculated separately in a straight line or based on a pooling system method. Depreciation rates vary from 5 % to 25% according to different categories of assets as indicated below:

Straight line depreciation	Pooling system
<i>The depreciation is calculated on the initial value of assets (historic costs) and costs of improvement, restoration and reconstruction of the same assets³.</i>	<i>The depreciation is calculated on the residual value of the assets group (difference between the initial value of the assets group and depreciation) and costs of improvement, restoration and reconstruction of the assets minus revenues generated from sales or other types of compensations.</i>
a) Costs of purchase or construction, and costs of improvement, restoration, and reconstruction of buildings, machineries and equipments which serve for more than 20 years, are depreciated at the rate of 5% per annum.	a) Computers, information systems, software products, and equipment of database back up at 25% per annum.
a) Intangible assets of the business like patents, trade marks, or expenses for starting up the business are depreciated at a rate of 15% per annum.	b) All other assets of business activity like production machineries and equipments, transportation vehicles, etc. are depreciated at a rate of 20% per annum.

The above depreciation rates are also applicable for leased assets. Land, building sites, belles arts, antiques, jewels, precious metals and stones are not depreciable.

³Costs of improvement, restoration, and reconstruction include expenses made with the aim of the improvement of future capacity of assets with a value exceeding 15% of the residual value of the same assets.



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Tax prepayment

Corporate income tax is paid in advance each month on the 15th. The amounts to be paid for each month by the taxpayers are calculated as follows:

- In each of months of January, February, March and April of the current taxable period the amount of profit tax for taxable period of two preceding years divided by 2.
- In each of 8 other months of the current taxable period, the amount of profit tax for proceeding taxable period reduced by payments made from January to April of the current taxable period, divided by 8.

Taxpayers, whose prepayment amount does not exceed 10.000 ALL/month, pay corporate income tax installments quarterly.

The amount to be paid monthly by the taxpayers with less than 2 years of business activity is calculated according to the instructions given in the Instruction of the Minister of Finances no.5, dated 30.01.2006 "On income tax".

Tax on profits

During the activity year the tax on profits is paid by the taxpayer one month in advance. To determine the monthly payment amount of tax on profit the law has foreseen a formula, which takes into account the tax on profit the taxpayer has paid in the last two preceding years.

During the coming tax period, the taxpayer pays the respective monthly tax on profit to the tax organ accounts no later than the 15th of each month, accounting for the next month, according to the calculation formula described above.

The final calculation of the tax on profits is based on the factual data included in the tax declaration (Annex A) and other supporting documents, such as the balance sheet and its annexes, data from tax controls, as well as any other legal document that helps to determine the tax obligation.

If the tax declared on the basis of the annual income declaration is far bigger than the advance payments made during the year, the taxpayer is obliged to

pay the difference at the moment he presents the declaration. If the advance payment amounts turn out to be far bigger than those declared in the annual income declaration, or those resulting from a tax control, the tax organs are obliged to recognize these sums for overdue payment of tax obligations or for the payment of future obligations, including the advance payment amount for the coming periods. Upon taxpayer's request, these sums could be returned to him within 60 days after receiving the tax declaration.

Local tax on small business

Local tax on small business is paid in four equal rates. The first rate has to be paid within the 20-th of April, the second one not later than the 20-th July, the third one not later than 20-th of October and the fourth one not later than 20-th January of the next year. The place and the way of tax payment it is defined with a special instruction.

If a taxpayer begins its commercial activity during the year, the taxes are paid for effective working months according to the Instruction of the Minister of Finances. Nuk parashikoheshin ne ligj keto facilitate. Ne vleresimin tuaj

Crediting foreign tax

Crediting foreign tax has to do with crediting and recognition of taxes that taxpayers residing in the Republic of Albania have paid in other countries (outside the territory of the Republic of Albania) on profits that they have made in those countries. But this reduction or recognition cannot exceed the Albanian tax level to be applied on those incomes if they had been made within the territory of the Republic of Albania .

Participations that are exempted from tax on profits

Dividends and profit shares determinine the taxable profits of a resident person income excluded, when they are distributed by resident companies

and partnerships, non-resident foreign companies, which are subject to income tax, regardless of the quota of participation, in value or number, of the share capital, the voting rights or participation in initial capital or shareholder of the recipient.

Perkthimi fjale per fjale I nenit te ligjit

Transfer Pricing Rules

Transfer pricing or profit transferring through changes in prices is applicable only in case of commercial companies owned by the same persons and operating in two or more countries where tax legislation is different. Such companies can set selling prices for their inputs or products in such a manner that the majority of the profit can be transferred in the country where the Corporate Income Tax level is lower. The same principle is applicable to services that such legal entities provide to each other.

Price transferring modifications for international transactions are made only by the Commission of Price Transferring in the General Tax Department (www.tatime.gov.al). The Commission exercises its activity in compliance with the Instructions of the OECD on transfer pricing rules. Transfer pricing levels may be agreed in advance through a written agreement between the Commission and the taxpayer signed by the General Director of Taxes.

Personal Income Tax

Albania personal income tax rate is a flat 10%.

All individuals, residents in Albania are taxed on their worldwide income, while non – residents are taxed on their Albanian income.

Persons (legal entities and sole entrepreneurs) having an annual turnover from Leke 2 to 8 million, are not subject to profit tax. They are liable for VAT and pay personal income tax on small business.

In Albania, personal and corporate tax rates are both 10%. Albania residents are taxed on income generated both in Albania and outside Albania

Taxable incomes are considered all of the following:

a) Tax on Personal Income from Labour and other Payments

Taxable income monthly in ALL		Tax Rate (%)
Over in ALL	Up to (in ALL)	
0	10 000	0 %
10.001 +	30 000	+10 % of the amount over 10.000 ALL
30.001 +	and more	10 % of the amount over 0 ALL

* - **Other payments** refer to any other payment and/or reward, except salary. If such payments are made in the place of working, they are counted in the taxable income scheme above. If payments made to the individual come from outside of the working place such as management or participation in boards, councils, commissions etc., they are taxed at 10%.

b) Income derived from the transfer of ownership on immovable property

Subject of these tax are all the individuals who transfer the ownership right. Since, 1 January 2008, the tax rate on personal income of individuals deriving from the transfer of ownership title over real estate, land, buildings will be **10% of the capital profit realized.**

Immovable property value is determined based on the evaluation performed by the Office of the Immovable Property Registration.

e) Dividends and other taxable income

Dividends, profit shares, incomes derived from interests of loans, deposits or other similar contracts, incomes generated from the intellectual property ownership, rents and other similar contracts are taxed at a rate of **10%**. Nuk na rezultojne te shkruajtura ne



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ligj keto pohime. Ne vleresimin tual

Withholding tax

All the persons, residents in the Republic of Albania, central and local government authorities, non-profit organizations and any other entity, are obliged to withhold tax at the rate of 10% from the following gross payments sourced from the Republic of Albania:

- a) Dividends;
- b) Profit shares;
- c) Interests;
- d) Payments on copyright and royalties;
- e) Payments on technical, management, financial and insurance services;
- f) Payments for management and participation in directing councils;
- g) Payments for constructions, installment, assembling or supervising work that relate to such;
- h) Rental payments;
- i) Payments for performance of actors, musicians, or sportsmen, including such payments made to persons that employ artists or sportsmen or act intermediate in arranging shows or performances.
- j) Income from gambling and casinos

Withholding tax must be paid no later than the 20th day of the month following the month the remittance upon which the withholding tax is assessed. The payer of such amount is responsible for retaining and paying the tax on the account of the tax authorities.

Non residents are obliged to withhold tax for all the above listed payments if these payments are made through a permanent establishment in the Republic of Albania or by their appointed representatives.

Withholding tax on payments defined above represents final tax liability. Withholding tax is not applicable to:

1. Albanian resident persons, registered as a taxpayer of profit tax and value added tax or persons registered as taxpayers of local tax on small business;

2. Dividends and other distributions of profits within the scope defined in Article 26 of Law;
3. Albanian or foreign legal persons for payments related to the international transport of goods and passengers.

Source Tax

All the residents in the Republic of Albania, central and local government, non-profit organizations and any other entity, recognized by the legislation into force, are constrained to withhold the tax at source at 10% from the gross amount of the following payments, generated by a source in the Republic of Albania:

Interests	10%
Share of profit	10%
Fee for technical, management and financial services, etc.	10%
Fee for Rent	10%
Dividend	10%
Payment for author's and intellectual property right	10%

Value Added Tax

Starting from 1 January 2010, any individual or legal entity conducting commercial activity in Albania is obliged to register for VAT, if the annual turnover exceeds ALL 5 million in a calendar year⁴.

VAT is applicable on sales of goods and services or the import of goods at a standard rate of **20%**. VAT is applied at zero rate (0%) in the following cases:

- The supply of goods exported outside the territory of Albania.
- The supply of goods and services relating to international transport of goods and passengers.

⁴Meanwhile, for the taxpayers that offer for profit services such as: lawyer, notary, specialised doctor, dentist, specialized dentist, pharmacists, midwife, veterinarian, architect, engineer, laboratory-doctor, projector, economist, accountant, property evaluators, as well as other economic services in the field of the tourism, despite the yearly circulation, the minimum level for registering for VAT does not exist, and all are subject to VAT.

- The supply of goods and services relating to maritime commercial or industrial activities.

All natural or legal persons who perform export – import activities are obliged to register for VAT purposes, regardless the total amount of their annual turnover. Since it is the person who registers for VAT, registration covers all the business activities performed by the same individual or legal entity.

There is no longer a need for VAT taxpayers to visit the tax offices, in order to submit their sales and purchases books within the 14th of each month, as required previously. In the spirit of ongoing reform and modernization of the tax system in Albania the new Decision of the Minister of Finance, no 17, dated on 13.05.2008, “On the Value Added Tax”, removes the requirement of the monthly submission of sales and purchases books, while reconfirming both, the legal obligation for accurate and regular record-keeping by businesses as well as the principle of self-declaration and selective tax audits.

Total annual turnover includes all the taxable supplies and exempt ones, supplies for export purposes and any financial support to the whole business activity of the taxpayer anywhere it is performed and regardless the legal form of the branches and their title. Total turnover is calculated based on the total sale's price to be paid by the buyer, including tax.

To claim for VAT reimbursement the taxpayer must have carried forward a VAT tax credit for 3 consecutive months and the total refund must exceed 400.000 ALL.

The VAT declaration and payment form is filled in two copies and the taxable person submits it to the respective bank with which the GDT has an agreement regarding the admission of VAT payments, within 14 days after the expiration of the tax period.

VAT is applied at 20%, unless otherwise settled by law. The following operations are excluded from payment of VAT:

- Financial services supply
- Gold, bank-notes or currencies supplies to the Bank of Albania
- Postage-stamp supply used for mail service or similar stamps
- Supply provided by a non-profit organization

against a reduced payment is considered an excluded supply under the conditions laid down by the article 24 etc.

- Land and buildings
- Diplomatic Body
- Petroleum operations
- Drug packaging and materials
- Sales of books, newspapers, magazines and advertising services
- Free supply is offer as assistance to specific situations, according to law No. 8756 dated 26.03.2001 “On civil emergencies”
- Completion of subcontractors for the supplying of goods and processing services, destined for re-export for the taxable persons authorized pursuant to the provisions of the Customs Code for operations under the inward processing procedure.
- Supplies of gambling services, casinos and hippodromes supplies.
- Provision of identity cards ID
- International Services
- Exempt supplies in import

Excise Duties

This tax applies on all of the following categories of products:

- Coffee;
- Beer, wine, alcohol and alcoholic drinks;
- Tobacco and it's by products;
- Oil and it's by products;
- Fireworks;
- Tires;
- Packaging;
- Cells and primary batteries;
- Incandescent lamps.

Excise duty is due when excise goods are imported into or produced in the Republic of Albania. However, natural or legal entities are permitted to perform transactions without paying excise tax if excise products are going to be exported or are set under a customs or fiscal suspension system.

Payment of excise duty due on goods requiring banderols shall be made by the purchase of a banderol for an amount equal to the excise duty due on the quantity or value of excise goods contained within the packing unit or package to

which the banderol is to be affixed. The purchase of banderols shall be made at the office designated by the tax authority, in accordance with procedures specified in instructions issued by the Minister of Finances. Supply of banderols is made prior to full payment.

Taxes on Immovable Property

Tax on immovable property is a local government tax. According to the Albanian legislation, immovable property includes: a) buildings and, b) agricultural land. Subject to tax on immovable property are all natural or legal persons, domestic or foreign, owners of the above mentioned properties in the territory of the Republic of Albania, despite the level of exploiting such property. Taxes are assessed as annual liabilities on taxpayers. Period of annual tax liability runs from January to 31 December of the year concerned.

Minimum categories of tax base and indicative tax levels on building and agricultural land are given in the following tables.

Indicative tax levels on buildings (ALL/m ² per year)			
	Municipalities		
	Zone 1	Zone 2	Zone 3
Minimum Building categories			
I. Residence Buildings			
- Built before 1993	15	10	5
- Built during or after 1993	30	12	6
II. Other buildings			
- For trade and services	200	150	100
- Others	50	30	20
III. Building owned or use in territories approved as tourist villages	200	200	200
Zone 1: Tirana, Durrësi.			
Zone 2: Vlora, Fieri, Saranda, Pogradeci, Korça, Elbasani, Berati, Lushnja, Gjirokastra, Shkodra, Kavaja, Lezha			
Zone 3: All other municipalities			

The above indicative tax levels, are applied on the specified categories of buildings located in urban areas (municipalities). For buildings located in rural areas (communes), of section III of the table "building owned or use in territories approved as tourist villages".

In rural areas (municipalities), the indicator level for each category of minimal building (excluding section III) is as a second indicator of the level corresponding to minimum category of building in the center district municipalities, in which the municipality is located.

Indicative tax levels on agricultural land ALL/ha per year				
Minimum Categories and Tax levels on agricultural land				
<i>Land category*</i>	<i>District</i>			
	<i>Zone 1</i>	<i>Zone 2</i>	<i>Zone 3</i>	<i>Zone 4</i>
I	5 600	4 200	2 800	1 400
II	4 900	3 500	2 100	1 200
III	4 200	2 800	1 400	1 100
IV	3 600	2 300	1 350	1 000
V	3 000	1 900	1 250	900
VI	2 400	1 600	1 200	800
VII-X	1 800	1 400	1 100	700
Zone 1: Tirana, Durrësi, Kavaja, Kruja, Lezha, Lushnja, Fieri, Vlora, Saranda.				
Zone 2: Shkodra, Elbasani, Berati, Korça, Delvina, Kurbini, Peqini, Kuçova.				
Zone 3: Gjirokastra, Përmeti, Pogradeci, Librazhdi, Dibra, Mati, Skrapari, Mallakstra, Devolli, Tepelena.				
Zone 4: Bulqiza, Hasi, Kukësi, Tropoja, Puka, Mirdita, Malësia e Madhe, Gramshi, Erseka				

* - Classification of agricultural land category is defined by the Ministry of Agriculture, Food and Consumer Protection.

The Albanian Customs System

Customs legislation and administration

The General Directorate of Customs (GDC) is the institution responsible for the management of customs in the Republic of Albania. The GD Customs is under the Ministry of Finance and conducts its activity pursuant to the Law No.8449 dated 27.01.1999 “Customs Code of the Republic of Albania” and its amendments. This law is based on Regulation 2913/92/EEC “The Community Customs Code”.

The general legal framework mainly consists of:

- Law No.8449 dated 27.01.1999 “Customs Code of the Republic of Albania” as amended.
- Law No.8474 dated 14.04.1999 “On the Combined Nomenclature of Goods” based on Regulation 2263/2000/EC.
- Law No. 9461 dated 21.12.2005, “On the Nomenclature of Goods and Custom Tariffs”, based on Regulation 2658/87/EEC.
- DCM No.205 dated 13.04.1999, “On the Implementing Provisions of the Customs Code”, based on Regulation 2454/1993/EC.
- Free Trade Agreements : CEFTA 2006 ; FTA with Turkey; SAA (Stabilization and Association Agreement between the European Union and its member states and the Republic of Albania, ratified by Law No.10 dated 12/02/2009; FTA between the Republic of Albania and EFTA states.



More info about Albanian customs can be found in www.dogana.gov.al.

Customs administration, in the Republic of Albania, is divided into 3 regional directorates located as follows:

Region 1	SHKODRA
Customs Lezha	Port of Lezha Lezha
Customs, Shkodra	Shkodra Han i Hotit
Customs, Kukes	Murrigan
	Kukes
	Morina
Region 2	TIRANA
Customs, Tirana	Tirana
Customs, Durrës	Port of Durrës
Customs, Rinas	Durrës
	Rinas
	Rinas
Region 3	ELBASAN
Customs, Elbasan	Elbasan
Customs, Pogradec	Qafe-Thane
Customs, Korca	Billate
	Korca
Customs, Fier	Kapshtica
	Fier
Customs, Vlora	Port of Vlora
Customs, Berat	Berat
Customs, Gjirokastra	Gjirokastra
	Kakavija
Customs, Saranda	Saranda
	Tre urat

ASYCUDA System

Albanian Customs apply the Automatic System for Custom Data ASYCUDA ++¹ providing faster clearance procedures and customs procedure to be on-line. ASYCUDA ++ is part of the good examples of implementation of the e-government and e-business strategies in Albania.

Custom Tariffs

Albania is a member of the World Trade Organization since September 2000. By joining the WTO, Albania had to align its trade legislation with international and WTO rules. The Albanian trade regime is now fully in line with and according to international trade rules. Custom tariffs apply on the Combined Nomenclature of Classification of Goods. This Classification is in compliance with the European Community Combined Nomenclature of Classification of goods. The

¹This is a computerized program developed by UNCTAD used in more than 80 countries worldwide.



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tariff system is very simple. The most-favored-nation tariff system applicable is: 0%, 2%, 5%, 6%, 10% and 15%. Under FTA-s, Albania applies **Preferential import tariffs** for CEFTA parties, EFTA parties, EU Member States and Turkey. In case of industrial products (chapters 25-97 of Classification of Goods Nomenclature) the tariff is 0%, while for agricultural products they are, as set out in the relevant agreements.

Favorable Tariff Treatment – FTT, is also applied. It provides reduction or relief from import duties chargeable by reason of nature of goods.

ALBANIAN CUSTOMS REGIMES

1. Placing in free circulation regime gives non-Albanian goods the customs status of Albanian goods. Goods placed in free circulation, with a level of reduction or zero import duty, due to their particular/special use, will remain under customs supervision. This supervision shall end when the conditions for the level of reduction or zero rate of duty cease to exist, when goods are exported or destroyed, or when goods are used for purposes other than those provided for the implementation of level reduction or zero rate of duty, provided that the relevant obligations are paid.

2. The Temporary Permit Regime refers to the customs procedure allowing imported goods to be used without paying duties for a limited period of time. These goods must have the following characteristics in order to be allowed for import under this regime:

- a. They should not be of Albanian origin;
- b. They should not be owned by the importer. Instead, the importer should lease and use them for a certain period of time and return them to their prior location;
- c. The goods should be easily identifiable and usable for a long period of time. As such, they must not be final goods for immediate consumption, except in cases involving their physical depreciation.

3. Inward processing refers to a customs procedure where goods imported to Albania, or of Albanian origin, are manufactured or processed and then re-exported from Albania in the form of compensating product. The inward processing regimes allow producers to import raw materials or semi-processed

products, exempt fully or partially from customs duties, and to manufacture/process and re-export the finished compensating products. The original imported product may or may not be distinguishable from the finished product.

4. The outward processing regime applies to Albanian goods temporarily exported from the country for being processed outside the country and re-imported in the form of compensating products, into the territory of Albania. The re-imported compensating products will be released for free circulation fully or partially exempted from import duties.

5. The warehousing regime allows storage in a custom warehouse of:

- a) Non Albanian goods not subject to custom duties,
- b) Albanian goods, when the provisions in force, in cases of their warehousing in customs, require the application of measures regarding the export of these goods.

A customs warehouse may be public or private.

- Public warehouses are used to store goods by any interested person.
- Private warehouses are used to store goods by warehouse operators only.

6. Transit Regime. It refers to the circulation of goods from one customs point to another in the territory of Albania of:

- a) Non Albanian goods not subject to custom duties and import duties.
- b) Albanian goods subject to export procedures.

This regime can be also applied on circulation of goods to another territory in cases of :

- a) a signed international agreement
- b) it is accompanied by a transport document released in the territory of Albania.

7. The regime of processing of goods under customs control allows the import of non-Albanian goods exempted from custom duties; their utilization in operations that cause the change of their nature, and then placement in free circulation of the products obtained as a result of these operations, once the relevant import duties have been fulfilled.

8. Temporary admission is applied to goods that

will not be released into free circulation immediately and are held temporarily in a warehouse until they are put in another customs regime. The warehouses are premises that have been approved by the Customs Authorities. The storage time in these areas shall be no more than 5 days for goods of road and railway transport and no more than 10 days for the goods of maritime transport.

Value Added Tax (VAT)

Imports

VAT is assessed, applied and paid at the moment goods enter the Albanian custom territory. The VAT rate is 20% of the taxable value. The taxable value includes the purchase price plus transport and insurance payments made until the moment goods enter the Albanian custom territory. Tariffs, taxes and other export – import duties paid until this moment are also included in the taxable value.

For machinery and equipment imported for investment in production, construction, transport, telecommunications industries and in the Albanian Power Corporation (KESH) a scheme for the postponement of VAT payment is applied. The scheme is defined in the Decision of the Council of Ministers (DCM) No.559 dated 16.08.2006.

Exempt from VAT:

According to the Law No.7928 dated 26.12.2007 “For VAT” as amended, the exempt from VAT is applied to:

- Import of goods placed in the transit regime.
- Import of goods declared to fall under Temporary Allowance Regime
- Import of goods in active processing
- Import of goods or services relating to the performance of exploration and development phases of petroleum operations, carried out by contractors who work for these operations.
- Import of live animals of origin, coming from different donors.
- Import of goods coming from NATO
- Import of good of appliances that help the integration of people with disabilities in the everyday life

The customs Code foresees the exemption of the customs duties for the returning emigrants (persons that have lived in another country for a period of not less than 12 months continuously and are coming back to Albania). More precisely, are excluded

- 1) “Personal objects” (objects that are needed for personal use of the person or family needs of the aforementioned.) of special treatment are the below mentioned objects:
 - a) Domestic objects (furniture that are needed for personal use of the person or family needs of the aforementioned);
 - b) Bicycles or motorcycles, private automobiles and their trailers, camping roulettes, air vehicles for entertainment and private airplanes;
 - c) Household furnishing, in the amount and type that are qualified for household usage.

In order to profit from the customs exclusion, vehicles, roulettes, sailing and air equipment, should be a registered property and used from the interested person for not less that 12 months before their transferring to Albania.

Exports

Albanian exports are exempted from VAT (VAT rate 0%). The Export Declaration serves as proof of export. Export Declaration is designed according to the Unique Administrative Document (UAD) available from the Export Custom Office.

Exporters can benefit from a VAT credit for purchases made on behalf of their exports.

Overall, if tax credit for a taxation period is higher than VAT applied in that period, taxpayers have the right to use the credit surplus for the following taxable period. Taxable persons have the right to request a reimbursement of the credit surplus. Exporters' reimbursement is done based on risk analysis according to the procedures specified in the Instruction of the Minister of Finance

Export from the Republic of Albania is free, without any other restrictive measures, quotas, prohibitions or other tariff and non-tariff restrictions except specific cases. No export duties apply on Albanian exports.



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Property, Sites, and Buildings

Property Market Overview

In the last few years, Albania has made clear progress in a number of areas needed to allow the smooth running of real estate finance and real estate transactions. The Albanian construction sector has been one of the country's most rapidly developing sectors throughout the last 10 years and now contributes 9.8 % of total GDP. These developments have made the Albanian property market very attractive to foreign investors.

The Albanian government offers an attractive incentive package for leasing state property for private investment. The leasing environment has greatly improved.

Overall, there is a growing awareness among the government of the importance of the real estate sector and the need to push reforms to solidify and improve its legal and administrative framework.

The growth of the economy, the price stability with an inflation rate of 3.5%, the favorable tax system, the increase in urbanization, the demographics and Diaspora are the determinant factors likely to deliver a different profile of performance towards the western markets.

A very significant element which guarantees the right to property is also the registration of immovable property in public books and, specifically, in the immovable property registers (Articles 192-197 of the Civil Code). In each district are set up Local Immovable Property Registration Offices (LIPRO), which are responsible for the registration of all legal ownership titles of immovable assets, including agricultural land.

State Owned Property

State-owned property can be transferred to private operators in four forms:

- Sale by privatization.
- Concessions.
- Leasing.
- Emphyteusis

The privatization process is used mostly in strategic sectors (banking, insurance, telecommunications, energy, etc.). See fact sheet No. 1.

The properties which are given in Emphyteusis are only properties owned by state institutions or state companies. The emphyteusis is executed by Ministry of Economy, Trade and Energy or local government institutions through competition.

In today's production and services business environment in Albania, leasing state property has been an increasingly attractive form of property transfer. Regarding buildings with a total

surface area up to 200 m², the lease is executed by the state owned company or the state institution without competition if it is for a short-term lease (up to one year). In the case of buildings with a total surface area between 201 and 500 m², the lease is executed through competition procedure, by the authority which exercises the right of the representative of the state property owner of the company or state institution.

Rental rates for state-owned property (2011)¹

Location	Minimum Rent (ALL / m ² / month)
a) Production buildings	
Inner Tirana city	300
Outer Tirana city	200
Inner big cities	150
Outer big cities	100
Inner small cities	100
Outer small cities	50
b) Offices, shops and service agencies in airports and customs offices, and services agencies in ports	2500
c) Museums, historical, archeological and cultural buildings²	1000
Inner Tirana city	600
Other locations	300
d) Machineries, equipment, technological lines	To be negotiated ²
e) Tanks, oil deposits, silos	400 ALL/m ³ /month
Inner Tirana and other big cities	200 ALL/m ³ /month
Other locations	100 ALL/m ³ /month ³
f) Free functional land	
g) Sports parks	
inner cities	50
outer cities	30

¹The Ministry of Economy, Trade and Energy, lines ministries, local government and other public institutions are the responsible entities for the implementation of this Decision of the Council of Ministers no. 529, dated 08.06.2011.

²Annual rent is valued upon the minimum current market value – MCMV, calculated as the difference of the initial value minus depreciation accounted for in years multiplied by the price index of the relevant month

³For free land, floor rent is 100 ALL/m²/month; for free functional land, the monthly rental floor is 20% of the building monthly rate. The land under and around the building is included in the rental rate determined for the building.

Rental incentives according to employment level (creation of new jobs)

Employment level (yearly average)	Rental discount level
20 – 50 employees	10 %
51– 100 employees	20 %
101 – 200 employees	30 %
Over 201 employees	40 %

Rental incentives according to investment level

Investment level (in million All)	Rental discount level
50 – 80	10 %
80– 100	20 %
over 100	30 %

Source: Decision of the Council of Ministers no.529, dated 08.06.2011 “On the criteria, procedure, and mode of leasing, emphyteusis or other form of contract of state property”

The value of leasing contract or emphyteusis can be set with the symbolic price of 1 euro when in the state property will be carried out industrial production activities with an investment value ten million or when it comes to solving social and economic problems in particular areas. The terms and conditions for bidding for these contracts are subject to the Council of Ministers case by case approval. See fact sheet No. 1.

Law on Concessions

Concessions are governed by the new Law no. 9663, dated 18.12.2006 “On Concessions”.

The purpose of this law is to create a favorable framework for promoting and facilitating the implementation of privately financed Concession Projects enhancing transparency, fairness, efficiency and long-term sustainability, in development of infrastructure and public service projects. The law includes specific procedures for the award of Concessions by public authorities in Albania. This law is implemented for granting of concessions by contractual authorities for the economic activities in different sectors. Concessions are used in activities such as mining, oil exploration, tourism, energy production ect. Under the law, the concession period is up to 35 years and if it is over 35 years then the parliament has to approve it. In special cases, for the promotion of investments or for other priority sectors for the economic development of the country, in line with the strategic objec-

tives, the Council of Ministers may offer to local or international investor's concessions for the symbolic price of

1 Euro. The Council of Ministers, upon the proposal of the Minister responsible for economy, approves the list of assets that will be given on concession, to the effect of applying this point.

Industrial Parks and free zones

The Government of Albania has regarded development of economic zones (industrial parks and free zones) based on public private partnerships, which aims at the production of goods and services, in terms of infrastructure and advanced technology facilities, as an opportunity for the national economy development. The Law No. 9789, dated 19 July 2007 “On the establishment and operation of economic zones” and Council of Ministers Decision No. 860, dated 10 October 2007 “On approval of Regulation for the establishment and operation of economic zones” foresee the creation and functioning of economic zones, rights and obligations of the responsible institutions, developers, operators, users operating in them, type of activities etc.

Currently, the Government of Albania has approved 10 economic zones. Nine of them have the status of industrial parks and one has the status of free zone. More specifically they are as follows:

1. Economic zone with the status of “Industrial Park” in Koplik, Shkoder approved upon Council of Ministers Decision No. 12, dated 04 January 2008.
2. Economic zone with the status of “Industrial Park” in Shengjin, Lezhe, approved upon Council of Ministers Decision No. 11, date 04 January 2008.
3. Economic zone with the status of “Industrial Park” in Elbasan, approved upon Council of Ministers Decision No. 776, dated 04 June 2008.
4. Economic zone with the status of “Industrial Park” in Spitalle, Durrës, approved upon Council of Ministers Decision No. **391**, dated 21 February 2008.
5. Economic zone with the status of “Industrial Park” in Vlore, approved upon Council of Ministers Decision No. 774, dated 04 June 2008.
6. Economic zone with the status of “Industrial Park” in Shkoder, approved upon Council of Ministers Decision No.775, dated 04/06/2008.
7. Economic zone with the status of “Industrial



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- Park” in Lezhe, approved upon Council of Ministers Decision No. 81, dated 27 January 2009.
8. Economic zone with the status of “Industrial Park” in Laknas, Tirane, approved upon Council of Ministers Decision No. 790, dated 22 July /2009.
 9. Economic zone with the status of “Free Zone” in a territory in Vlora approved upon Council of Ministers Decision No. 628, dated 11 June 2009.
 10. Economic zone with the status of “Industrial Park” in Rrashbull, Durrës approved by the DCM No.105, dated 9 february 2011 .

In regards to the industrial parks in Koplik, Shengjin, Vlore and part of Spitalle, Ministry of Economy, Trade and Energy has performed the procedures for selecting the developer for designing, financing, construction, operation and management of these parks. As per the other economic zones, the procedures for selecting the developers are in progress.

Private Property

According to the Constitution, the property is acquired by gift, inheritance, purchase and any other classical manner provided in the Civil Code of the Republic of Albania. In each case, the acquisition goes through two phases:

1. The acquisition of a right to ownership, through an act of a public authority or by means of notary deed (mainly purchase, endowment or contract for swaps of land).
2. The completion of the transfer of ownership through the registration of the relevant act or contract with the Registration Office. The Registration Office contains all extracts of the real properties right (constraining the relevant data for each property) in defined administrative areas

The most commonly used instrument for acquisition of ownership over real property is the purchase contract. Pursuant to law no.7980 date 27.07.1995 “On the sale and purchase of land”, as amended, and law no.8337, date 30.04.1998 “On Transferring the Ownership of Agricultural Land, Forests, Pastures and Meadows”, there are some restrictions in terms of free movement of capital concerning the right of foreigners to acquire real estate in Albania. Foreign natural and legal persons are entitled to purchase land, after investing on it, in accordance with a construction permit, up to a value not less than three times the value of land. The right to transfer ownership of agricultural land, for-

ests, pastures and meadows is not granted to foreign natural or legal persons.

Foreign natural or legal persons are entitled to lease agricultural land for a period of up to 99 years. Leasing of agricultural land, forests, pastures and meadows is carried out according to the Civil Code provisions. However, in accordance also with the Stabilization and Association Agreement, which has entered into force in June 2009, Albania has acknowledged that the Albanian legislation will be progressively regulated no later than seven years from the entry into force of this agreement.

The market for office space is growing rapidly, particularly in major cities such as Tirana, Durre and Vlora. The current trend is the construction of high-tech business centers which offers full services to renters and buyers of the office space. The demand for this kind of facility is increasing and the construction industry has responded by building high quality and technologically operational buildings.

Office space for sale in Tirana, Durres, Vlore, Albania (December 2011)⁴

Price of Land	District of Tirana	Price per m2	Price per m2
	Apartments and Offices	300 – 4000 euro	41.250-550.000ALL
Price of Land	District of Durres		
	Apartments and offices	250 - 1600 euro	34.375-220.000 ALL
Price of Land	District of Vlora		
	Apartments and offices	184-1300 euro	25300-178.750 ALL

Source: Housing Regulatory Authority and leading real estate companies.

Office space for rent in Tirana, Albania (December 2011)

Definition	Price per m2	Price per m2
Space for business	8- 26 euro	1104-3588 ALL
Parking	50-160 euro/month	6900-22080 ALL
Service costs	1-2.5 euro/m2/month	138-345 ALL

Source: Leading real estate companies in Tirana

The prices stated in this fact sheet are averages, as they vary according to the specific location and the characteristic of buildings or sites.

⁴The prices are subject to exchange rate

Transport & Logistics

Its location at the center of a natural crossroad of the main transport corridors across Europe, places Albania in a strategic geographic position. With the completion of Corridor VIII, the expected implementation of the gas pipeline project TAP, with further development of infrastructures capacities of the leading ports, Albania will connect Mediterranean hub ports and European markets they serve, with the Balkan Region and further with the markets surrounding the Black Sea. The general Albanian transport infrastructure is subject to the general transportation plan, adopted every five years by the Albanian Government, which has recently focused its performance in the construction of new parts of the transport network, especially of the road.



Source: Ministry of Public Works and Transport

Modes of transport

The main transport modes in Albania are air, roads, railways and sea.

1) Air Transport

The only airport operating in Albania is the Tirana International Airport, Mother Teresa.

The airport is situated about 18 km in the northwest (16 km in the airline) of Tirana. During the year of 2011, 14 airlines were operating to 35 different destinations. Traffic results for the year of 2011 at Tirana International Airport (TIA) totaled approximately 1,817,073 passengers, 22,988 aircraft movements, and approximately 2,656 tons of cargo were transported through TIA. Recently is noted a progressive increase in the number of passengers in the "Mother Teresa" airport.

General information on flights from TIA to international destinations is presented in the general table at the end of this sheet.

	2005	2006	2007	2008	2009	2010	2011
Passengers	785,000	906,103	1,105,770	1,267,041	1,394,688	1,536,822	1,817,073
Flights	15,400	15,856	18,258	19,194	20,064	20,775	22,988
Cargo	2,000	1,603	1,695	1,987	1,711	2,000	2,656

2) Road transport

Taking into consideration all the categories of roads where vehicles circulate, the overall road network in Albania, is about 18,000 km long, including 3,636 km of National Main Roads, 10,500 up to 11,000 km of district and municipal roads. The remainder of about 4,000 km falls under the jurisdiction of various local authorities, enterprises or companies. The main road network is about 1,138 km with nine main links creating the backbone of the network and a secondary network with a total length of 1,998 km.

Pan-European Corridor VIII was adopted at the Conference of Crete in 1994, and confirmed in Helsinki in 1997. Corridor VIII, currently under construction, will connect the Albanian port of Durrës with the Varna (Bulgaria) through Tirana, Thana Neck, Skopje, Deve Bair, Sofia, Plovdiv and Burgas

North-South Corridor This corridor stretches for 405 km connecting Greece with Montenegro through the itinerary Kakavija Gjirokastra-Shkoder-Hani i Hoti. The central part of the corridor matches with corridor VIII in segments already under construction.

Corridor Durrës - Kukës – Morinë This important axis with a length of 170 km, connects the capital and the port of Durrës, with the new state of Kosovo. On a regional perspective this corridor is considered as the best link of the Pan-European Corridor VIII with the Pan-European corridor X.

The operation in the field of international and internal road transport is performed according to legal acts, bilateral and multilateral agreements on road transport.

Foreign operators carrying out transport-related activities and (or) transit activities within the territory of the Republic of Albania, according to bilateral agreements in force, are subject to the quota permit system deriving from such bilateral agreements with those countries. Cabotage shall be allowed by virtue of the law on road transports only under the authorization of the minister covering the transport-related activity.

With the entry into force on, 1 December 2006 of the Interim Agreement on Trade and Commercial Co-operation between the European Community on one hand and the Republic of Albania on the other hand, the Albanian party has liberalized the transit transport with the EU countries granting unlimited right of the transit transport of other countries through Albania.

In order to prevent environmental pollution and with respect to the usage of infrastructure, the taxation of vehicles varies depending on the type of vehicle and the type of fuel consumed.

Taxation of vehicles for the foreign carriers entering the Republic of Albania is based on the principle of reciprocity, determining the level of taxes for each country.

There are 52 international transport companies which operate 35 international lines.



3) Railway

The railway network in Albania is composed of 447 km of primary railways and 230 km secondary railways. It stretches from north with the border station Bajze to south terminal in Vlore to the east terminal Pogradec, on the border with Macedonia. Albanian railway network linked to international railway network through the line Bajza - Podgorica, Montenegro, where currently conducting international transport of goods. The Albanian railway network gate to Corridor VIII is the Port of Durrës.

The network's width is compatible with EU standards. The network is not electrified and the warning signs system is missing. Movements of trains are radio-guided. The condition of railway infrastructure is characterized by low technical indicators; the speed of trains on the lines is accordingly limited to 80 km / h (speed limit).

Albanian Railways Fleet is composed by 66 passenger wagons, 225 goods wagons and 25 locomotives. These vehicles transport about 1.5 - 2 million passengers and about 400-500 thousand tons of cargo per year. Albanian Railways is a joint stock company. The activity of the railway transport is pursuant to the Law no. 9317, dated 18 November 2004, "Railway Code of the Republic of Albania". The dispositions of such code permit private operators to use Albanian railway infrastructure. Main priority is the reactivation of the railway network through leverage of private capital and financing international institutions as well as various donors.

4) Sea transport

Sea transport in Albania is carried out through 4 ports: Durrës, Vlora, Saranda and Shengjini. The largest and the most important one is the Port of Durrës, which captures 81.8% of all the country's maritime transport. Albanian ports conduct commercial activities and carry out actions such as: the operation of terminals for transport of passengers or trucks, loading and unloading of minerals as in the case of the Durrës and Shëngjin port, bulk goods or packaged, containers (Durrës and Vlora), etc., as well as activity of marina depending on the reception capacities and internal organization plans (mainly in Saranda).

There are two private ports for fuel and gas in Albania:

- Porto Romano Port is located 6.5 km in the north of the city of Durrës. This infrastructure

supports coastal deposits of oil, gas and of their byproducts and L.P.G.

- **Petrolifera Port** which is the port infrastructure of the coastal terminal port for petroleum and by-products and LPG, in the Vlore Bay. This terminal is located right on one of the nodes access with Corridor VIII and nearby the Greek and Italian refineries.

In the tourism sector, besides the abovementioned ports, we also find the Orikum Marina which is a private resort located in the Bay of Dukat in the southern part of Vloara.

Volume of loading and unloading at seaports 2000 – 2010 (in thousands of tons)

Year	Volume of loading	Durrës harbor	Vloara harbor	Saranda harbor	Shengjini harbor
2000	2,702	1,883	527	60	232
2001	2,995	1,989	592	52	362
2002	3,092	2,181	503	61	347
2003	3,423	2,673	352	82	316
2004	3,628	2,960	301	73	294
2005	3,957	3,112	404	97	344
2006	4,260	3,422	457	99	282
2007	4,332	3,442	520	77	293
2008	4,705	3,704	610	72	319
2009	4,193	3,122	620	82	369
2010	4,170	3,406	318	71	375

Source: Institute of Statistics (INSTAT)

International sea transport of passengers (2002 – 2010)

Year									Items
2002	2003	2004	2005	2006	2007	2008	2009	2010	
364,004	409,468	459,797	496,043	492,202	473,288	533,186	579,712	574,103	Passengers departed
									of which:
78,723	93,866	115,350	385,257	118,147	122,766	158,387	174,225	186,316	– Foreign
249,549	273,774	324,537	110,786	374,055	350,522	374,799	405,487	387,787	– Domestic
383,781	449,092	471,908	492,908	485,913	451,294	546,373	580,323	545,700	Passengers entered of which:
101,455	126,829	130,917	363,033	140,721	127,954	173,958	186,910	195,108	– Foreign
252,322	289,233	312,776	129,875	345,192	323,340	372,415	393,413	350,592	– Domestic

Source: Institute of Statistics (INSTAT)

Distances to the main destinations from Albania with any kind of transport

Transport	Italy	Germany	Balkan	EU
By air with direct flights	Daily flight to Rome 1 hour 40 min Bari, 40 min Bologna 1 hour 30 min Milan- 2 hours Venice 3 times per day 1 hour 40 min	Frankfurt daily flight – 2 hour 30 min	Athens -daily- 1 hour 35 min Beograd – 5 times per week – 1 hour 15 min Ljubiana – daily – 1 hour 15 min Sofia – once a week – 2 hours	Vienna 2 flights per day- 1 hour 45 min Budapest 2 flights per day 1 hour 45 min London- 3 times per week – 3 hours
By sea	Daily ship-ping From Durrësi to Ancona 18 hours, To Bari – 8 hours To Trieste- 24 hours From Vloara to Brindisi 8 hours	The frequent road is ship-ping through Italy (Trieste)	Daily ship-ping from Saranda to Corfu 45 minutes	
By road		From Trieste to Munich 6 hours	From Tirana to: Macedonian border- 140 km Montenegro border 118 km Greek border (Kakavija) 232 km, Kapshtica 181 km Kosovo border-210 km To Athens from Kaka-vija border 7 hours	

Shipping in Albania: Several companies in Albania provide shipping services. For contact information please see the Fact Sheet No.12 “Useful Contacts”.

Utilities and Costs

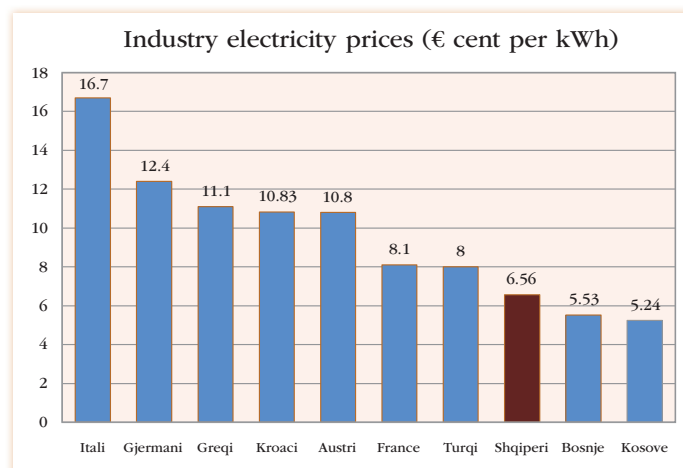
Electricity

Albania has enormous potential for generating electricity through the utilization of water resources (hydro), wind, solar and biomass energy resources.

The public electricity production in 2011 was accomplished mainly by hydroelectric plants; 98.57% of total energy production was from HPP's and only 1.42% from the TPP of Vlora. The total net production of electricity from generating public companies was 4,021,245 million kWh, while the production from private HPP's was 136,831 million kWh.

From the comparison of electricity generation during the period 2007 - 2011 large fluctuations are observed from one year to another. Year 2011 isn't indeed considered a good hydrological year, while 2010 is considered an extraordinary one with energy production amounting to 7,743.295 million kWh.

Some of the industry electricity prices in the region and Europe



Source: ERE and Eurostat

Note: All fees do not include VAT

Source: CEZ Distrubution *Peak bours: November
1 – March 31, 18:00 to 22:00 April 1 – October 31, 19:00 – 23:00

Electricity prices for 2011

Voltage Level	The categories of consumers	Price (ALL/kWh)	Peak energy price* (ALL/kWh)	Reactive energy price (ALL/kVAr)
	Clients supplied at 35 kV			
	Industry	8.5	9.78	1.28
	Trade & Services	8.5	9.78	1.28
	Agriculture	8.5	9.78	1.28
	Other	8.5	9.78	1.28
Medium Voltage	Clients supply at 20/10/6 kV			
	Industry	9.10	10.47	1.37
	Trade & services	10	11.5	1.5
	Bakeries, flour production	7.1	8.17	1.07
	Agriculture	8.70	10.01	1.31
	Other	9.70	11.16	1.46
	Budgetary	11.50	13.23	1.73
	Clients supply in Low Voltage			
	Industry	10.50	12.08	
	Trade & Services	12.20	14.03	
	Bakeries, flour production	7.6	8.74	
	Agriculture	10.5	12.08	
	Other	12.00	13.80	
Low Voltage	Budgetary	14.00	16.10	
	Families			
	First block up to 300 kWh	7.70		
	Second block over 300 kWh	13.50		
	Fixed service tariff for "zero" (ALL/month) consumption	200		
	Tariff for energy consumption in shared environment (stairs, water pump, elevator, etc (ALL/kWh)	8.00		
	Total average	9.53		

Water

Increasing investments in water supply network and sewerage have further enhanced the status of this sector. Alone in 2010, this sector received about 10 billion ALL of investments, 6.5 billion ALL of which came from the state budget and the remainder from foreign funds. The government passed budget increase in this field to give boost to tourism projects and help areas that face difficulties insupplying water. As a consequence, the National Network the Water Supply was extended by 47 km.

The table below provides a breakdown of the costs of drinking water and contaminated water, to various categories in the major cities of Albania.

The price of water and sanitation (ALL/m3) for the year 2011

Town	Drinking water lek/m3			Contaminated water ALL/m3		
	Families	Institutions	Private	Families	Institutions	Private
Sh.A. Tirane	45	120	135	11	30	35
Sh.A. Durres	58	110	120	15	20	20
Sh.a. U. Elbasan Fshat	36	110	110	-	-	-
Sh.A. Pogradec	55	110	110	18	25	25
Sh.A. Fier	44	80	100	10	12	14
Sh.A. Berat	28	80	100	10	10	12
Sh.A. Sarande	40	90	110	14	20	20
Sh.A. Gjirokaster	34	110	120	8	14	14
Sh.A. Erseke	32	60	80	6	6	8
Sh.A. Peshkopi	27	65	85	-	-	-
Sh.A. Shkoder	40	110	110	15	20	20
Sh.A.U. Vlore	30	60	80	-	-	-
SH.A.U.K. Lushnje	44	100	110	12	16	18

Source: Albanian Water Regulatory Authority (WRA) www.erru.al

Note: Prices given above do not include VAT

Telecommunications

Albanian telecommunications services includes fixed telephony and mobile telephony. The operator of fixed telephone is Albtelecom Sh.a., 76% of whose shares are owned by CETEL (Ankara), which is composed of one of the largest companies in Turkey, Calik Group 80% and Turk Telekom 20 percent. While the rest of the shares of 24% is owned by the Albanian government and other stakeholders.

Fixed tariffs applied by Albtelecom	Businesses	Individuals
Service	Tariffs (ALL)	Tariffs (ALL)
Monthly subscription fee	1,920	530.4
Instalation fee	4,800	4,800
Transfer	0	0

	Businesses		Individuals	
	Tariffs (ALL/min)		Tariffs (ALL/min)	
	08:00-22:00	22:00-08:00	08:00-22:00	22:00-08:00
Local Calls	4.68	3.90	3.00	1.92
Albtelecom Network				
Within the region	4.68	3.90	3.60	3.00
Between region	11.70	9.86	7.66	6.16
National calls to other fixed alternative operators				
Local	4.68	3.90	3.60	3.00
Within the region	7.80	6.24	5.38	4.68
Between region	17.33	12.48	10.14	8.09
Towards mobile operators	54.00	42.00	31.31	24.00
International calls				
Zone 1	23.99	18.38	18.46	14.14
Zone 2	58.62	44.57	45.10	34.28
Zone 3	117.00	104.05	90.00	80.04
Zone 4	156.00	117.00	120.00	90.00
Zone 5	312.00	312.00	240.00	240.00
Zone 6	720.00	720.00	720.00	720.00

Note: All the above prices have been updated according to data provided by Albtelecom by date. 14.08.2012 and do not include VAT

Source: Albtelecom Sh.a., www.albtelecom.al

Mobile Telephony

In late 2011, the number of mobile phone subscribers reached approximately 5.2 million, which represents a penetration rate (number of users per 100 inhabitants) of 185%, a figure which is much higher than the level of 140% in 2010, or the average in the European Union countries by 124% in 2010.

The first mobile operator in Albania, was launched in May 1996 by the **Albanian Mobile Communication** (AMC), which privatized 85% of total shares worth 85,600,000 euros through COSMOTEL Telenor Consortium. The remainder 12.6% of state shares was privatized in March 2009 for a value of 48,200,000 euros. AMC has the highest number of employees in the telecommunications sector with over 500 specialized employees. AMC offers 3G network services.

Licensed in 2011, Vodafone Albania was the second mobile operator in Albania. Vodafone's GSM network covers 90.86% of the territory of Albania and the 99.6% Albanians in rural and urban areas. Vodafone Albania holds also a license to offer 3G network services.

Eagle Mobile, the third mobile operator in Albania, entered the market in October 2008. The company had an increase of 35% in the number of users from the year 2010 to year 2011.

In the year 2009, the fourth licensed mobile operator **Plus Communication** entered the Albanian market. This was a "joint venture" between several Albanian local companies and *Kosovo Post Telecommunication*. *The company had an increase of 370 thousand users comparing to 2010.*

Internet Service

According to data pertaining to the first half of 2010, 96 Internet providers are currently operating in Albania.. Most of them are located in Tirana and other cities in western Albania. Internet is mainly offered through ADSL and the Hybrid Fiber-Coax. According to Electronic and Postal Communications Authority – (AKEP) data, with the increase of the broadband Internet users for the year 2011, their number reached 161,000. For the same period, the number of broadband lines per 100 inhabitants rose to around 6.2%, compared to 3.7% that was at the end of 2010.

The leading internet service providers include:

Albtelecom	www.albtelecom.al
Albaniaonline	www.albaniaonline.net
Abcom	www.abcom.al
Abissnet	www.abissnet.com.al
Interalb	www.interalb.net
Primo	www.primo.al

