

## **ALBANIA'S POTENTIAL**

The Albanian Government is consistently preoccupied for advancing the quality of new reforms, the rapid pace with which they are being implemented, and above all, the quality and capacity for decision-making towards the business environment improvement of from one year to another.

In continuously perseverance to get the best from the experience of domestic economic actors, the Government of Albania speaks to the entrepreneurship in its own language. Special state structures are set up especially for facilitating this communication, unifying the language, identifying obstacles and problems and correctly addressing toward the best solutions.

New government reforms:

- Free Economic Zones
- New PPP law
- Strategic investments law
- Tourism law
- Territorial reform
- Mass privatizations

### **Advantages of Albania**

#### **Favorable location**

Albania is a country blessed with sunshine, a country imbued with light. The energy potential, such as hydric, solar and wind are extraordinary. Albania's long coastline enjoys the highest elevation in Europe by 780 meters. The coastline on the Adriatic and the Ionian Sea has stupendous potential and support for endless opportunities. The geographical position of Albania is one of the best in the region, the most favorable one. The geographical proximity to these markets allows low distribution costs and "just-in-time" product delivery from Albania.

#### **Albania benefits from extensive Free Trade Agreements**

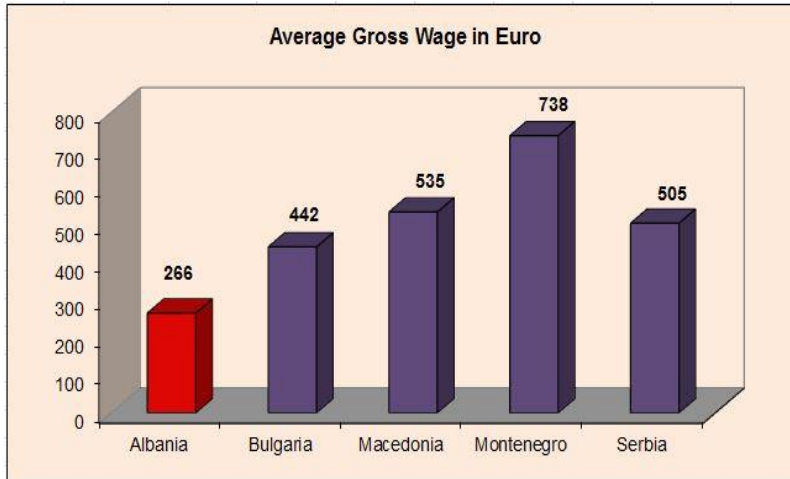
- Free access to a market of 26 million customers;
- Free trade agreements: (2000) Membership in WTO; (2006) The Stabilization and Association Agreement (SAA) with EU; (2006) Free Trade agreement with Central Europe (CEFTA)- 8 countries: Albania, Macedonia, Montenegro, Kosovo, Moldova, Croatia, Serbia and Bosnia and Herzegovina; (2009) 2009, Albania signed an FTA with the European Free Trade Association (EFTA); (2008) Free trade agreement with Turkey;
- The U.S. Generalized System of Preferences (GSP) Program;
- Double taxation treaties are currently in force with 40 countries.

#### **Cost competitive and dynamic workforce**

- The minimum wage in Albania is 22,000 ALL (approx. 157 Euro)
- Average monthly payment 37,496 ALL (approx. 266 Euro)
- Over 1 million young, well-educated professionals

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- 57% of the population is under the age of 35
- More than 100,000 students enroll at university
- English and Italian widely spoken. French and German included in the education system. Other regional languages are widely used



### Favorable Fiscal Package

The government has approved a new fiscal package whose main objective is to maintain macroeconomic stability and continuation of structural reforms, aiming to create the necessary conditions for potential economic growth of the country. This fiscal policy is geared towards the recovery of economic growth potential in favor of the private sector. The new fiscal policy has been designed in close consultation with the International Monetary Fund (IMF) and World Bank (WB).

- Corporate tax rate 15%
- Personal Income Tax from 0% to 23%

The tax system does not distinguish between foreign and domestic investors

### Simplified administrative procedures

#### ONE-STOP SHOP MODEL

- Registration of a new business in Albania only takes 24 hours with a costs of less than (<€1)
- Albania also has fast and transparent business licensing through its National Licensing Centre

#### Online services

- There is an efficient online tax system
- On line tendering procedures
- Online customs services

### Favorable FDI legal framework

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**Albania's legal framework on FDI** has been designed to create a favorable business climate for foreign investors:

### No limitation and full openness

- The implementation of the economic reforms constitutes the main engagement of the Government for the country's social-economic development, with the final goal of integration with the European Union
- No prior government authorization is needed and no sector restrictions to foreign investments
- There is no limitation on the percentage share of foreign participation in companies-100% foreign ownership is possible

### Full protection and equal treatment

#### Full protection of foreign investment

- Foreign investment may not be expropriated or nationalized directly or indirectly, except in special cases, in the interest of the public us as defined by law
- Foreign investors have the right to expatriate all funds and contributions in kind of their investment

#### Equal and unbiased treatment

- 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
- No restriction on capital movement
- Simplified tax procedures
- No restrictions on repatriation of profits
- Competitive tax rate

### WORLDWIDE RANKINGS

- a. According to EBRD, Albania was the top reformer country in the region in 2014
- b. Albania jumped **40 positions in Doing Business** report, jumping to 68<sup>th</sup> country in the world from 108<sup>th</sup> it was a year before
- c. **Standard & Poor's** improved twice the outlook for the country, from B(-) to B(stable) to B(+)
- d. According to World Bank Report for 2015, Albania has experienced the highest economic growth in the region. The business climate has improved significantly. The ongoing reform on energy security reduces the fiscal burden. According to the report, another point of key interest is the government improvement and the increase of transparency.

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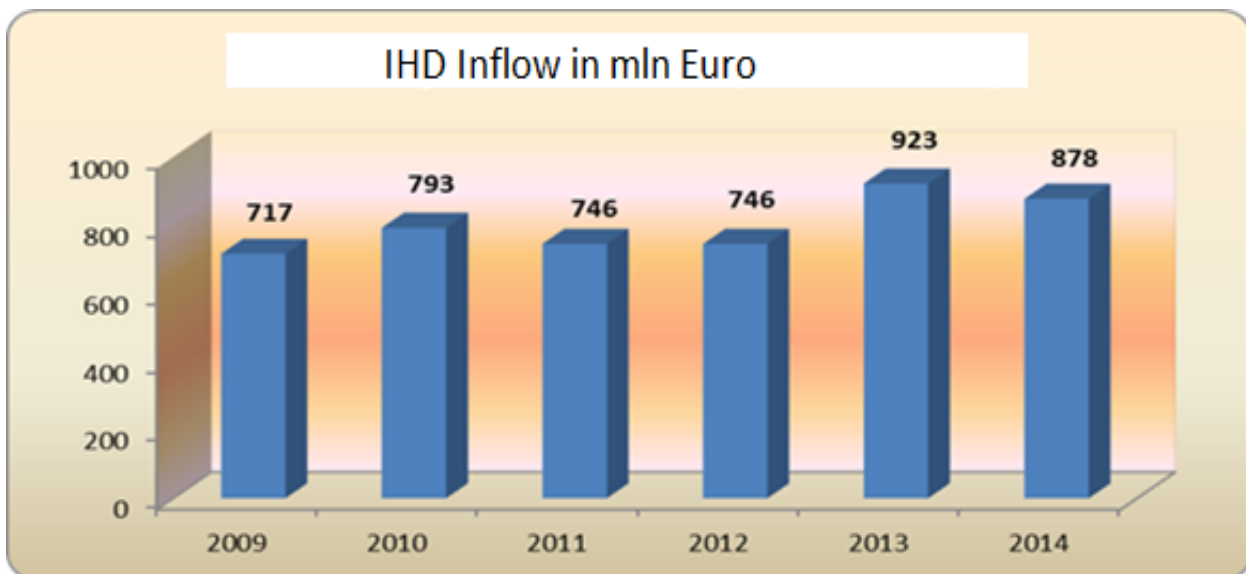
	2013	2014e	2015f
Albania	1.4	2.1	3.0
Bosnia & Herzegovina	2.5	0.4	1.5
Kosovo	3.4	2.5	3.0
FYR Macedonia	2.7	3.3	3.5
Montenegro	3.3	1.5	3.4
Serbia	2.6	-2.0	-0.5
<b>SEE6</b>	<b>2.5</b>	<b>0.2</b>	<b>1.3</b>

Source: National statistical offices and World Bank projections.  
Note: SEE6 is a weighted average.

### Albania in Figures

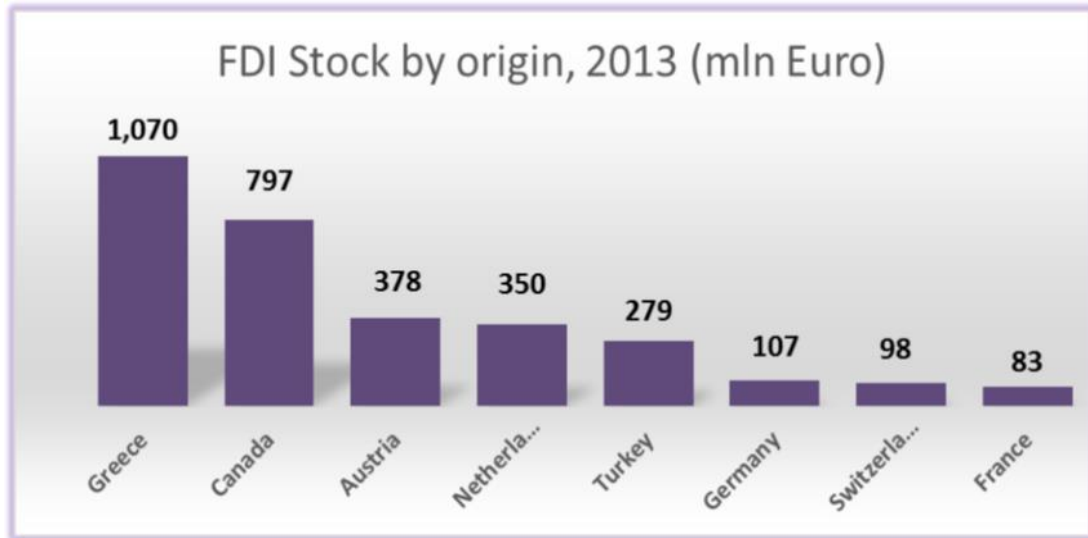
	2008	2009	2010	2011	2012	2013	2014
GDP Growth (in %)	7.5	3.3	3.8	2.6	1.6	1.4	1.89
Export by year	917.5	750.7	1171.5	1405.5	1525.6	1721.6	1.827
Unemployment (%)	12.7	13.8	13.5	13.3	13.4	12.9	12.9
Inflation Rate	3.4	2.3	3.6	3.5	2.0	1.9	1.63
Average Exch. Rate ALL/EUR	122.8	131.6	137.7	140.5	139.0	140.2	140.14

**FDI Inflow** *(Per Vitin 2014, te dhenat jane marre nga Banka e Shqiperise por vleresohen si te dhena paraprake, pasi te dhenat perfundimtare dalin ne Shtator 2015)*

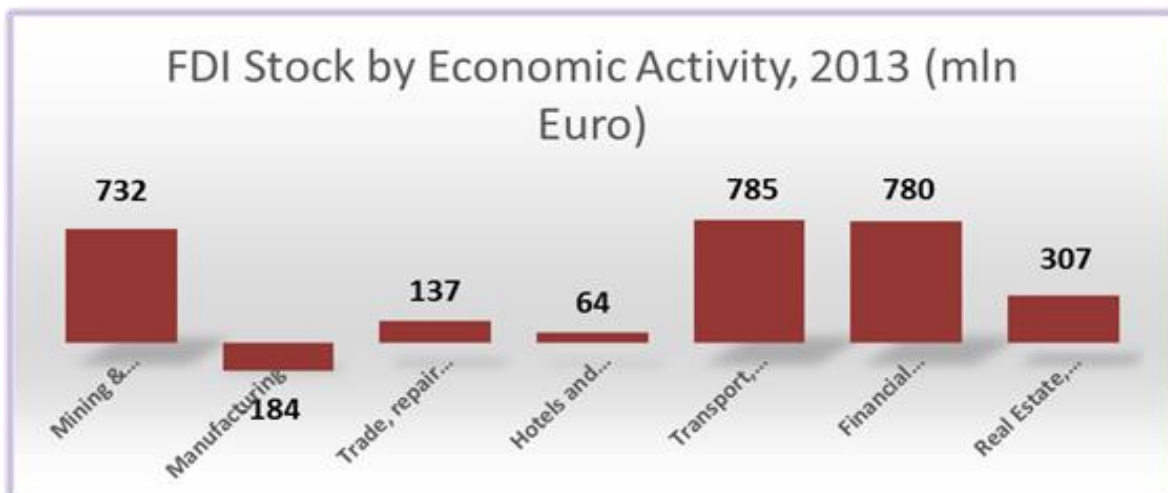


## ALBANIA'S POTENTIAL

### FDI stock by origin



### FDI by economic activity



### Trade

Albania's Exports has a 24% annual growth rate for the past five years, growing from 1 Billion USD to 2.5 Billion

### Trade relations with Sweden

#### Exports with Sweden (2005-2014)/mln ALL

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Value	301	653	1,536	469	106	129	142	76	84	119

#### Imports with Sweden (2005-2014)/mln ALL

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Value	1,524	1,489	1,056	1,408	2,003	1,642	1,602	2,052	1,220	1,528

# ALBANIA'S POTENTIAL

## Potential Investment Sectors

### 1. Renewable Energy

Albania is the most dynamic renewable energy country in Europe. For investors in the renewable sector, the Government of Albania offers the following benefits:

- Attractive feed-in tariffs for small hydropower plants (HPP)
- New electricity market laws

Albania has huge potential for hydroelectric energy:

- Total installed capacity of 1,726 MW;
- Potential installed capacity of 4,500 MW;
- Average power production of 4.2 TWh;
- Potential annual power production of 16-18 TWh;
- Only 35% of hydroelectric energy potential is currently being utilized.

#### HYDROPOWER

Eight large rivers, fed by hundreds of smaller rivers and streams, run through the country from the mountainous East to the Adriatic and Ionian Seas in the West. The average height of the hydrographic territory of Albania is about 700 m above sea level.

#### SOLAR ENERGY

Albania is part of the Mediterranean climatic zone. For this reason, the country has very favorable conditions for the development of solar energy including:

- Average daily solar radiation of 4.1kWh/m<sup>2</sup>
- Average sunshine hours per year of 2,400

#### WIND ENERGY

- Average annual wind speed of 6-8 m/s
- Average energy density of 250-600 W/m<sup>2</sup>
- Potential for at least 20 oleic electricity centrals

#### PETROLEUM AND GAS ENERGY

Albania has a significant volume of oil reserves, producing more than 1.2 million tons in 2013.

The Albanian oil, gas and byproducts market is a free, open, and liberalized market, predominately operated by private companies, and where the Government of Albania plays only a regulatory role.

### 2. Manufacturing

The government has rolled out the Textile and Footwear Industry Package 2014, giving a strong stimulus to the fashion industry through a range of incentives. For the first time, the Government also provides a symbolic tariff of € 1 leasing contract, when renting government property.

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Key facts to note about the manufacturing sector include:

- In 2014, exports in manufacturing increased by 24,6% or 165 million dollars.
- 5000 new jobs were created within the year
- 14% increase in imports of machineries and equipment.
- Partnerships with major brands and retailers throughout Europe
- Major markets in Italy, Germany, France, Holland, Denmark and Greece

### Incentives in manufacturing sector

- Exemption from VAT on machinery and equipment;
- The employer is exempt from the social security tax payment, for 1 year for all new employees.
- The state covers the salaries for 4 months for the new employees.
- Different financing incentives for job training
- Facilitation of Customs Procedures: Reduction of the administrative costs and time for economic operators. Opportunity to declare and control after official hours in customs offices.
- VAT refunds obtained:
  - Immediately in the case of zero risk exporter taxpayer.
  - Within 30 days if the taxpayer is an exporter;
  - Within 60 days in the case of other taxpayers.
- The VAT on fuel is credited instantly without the need to submitting the documentation or the approval by the Regional Tax Directorate, which brings time and cost reduction for the entrepreneurship.
- The ease and improvement of the registration procedures, through the online application on e-portal of Albania. Registration time reduction from 1 day to 8 hours
- The €1 symbolic fee contract
- State-owned property with an area of above 500 m<sup>2</sup>, will be given to third parties with the symbolic fee of €1 in case the leased State property will be used for activities such as:
  - industrial production (with investment levels of over €10 million);
  - manufacturing (of the type "FASON"),
- The establishment of the help desk "One Stop Shop" dedicated to the inward processing industry at AIDA is set. It offers:
  - Intermediation for resolving the issues addressed to the one stop shop help desk.
  - Follow-up and monitoring of the issues and impact of the facilitating package, through periodic meetings;
  - The establishment of the inward processing industry database;
  - The improvement of the fason entrepreneurs image through the dedicated web pages

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### 3. Agriculture

**There are many reasons to invest in the agriculture sector in Albania:**

- We have fertile soil, a suitable climate and an abundant supply of water, resulting in huge production potential
- We produce a range of produce including fruits and vegetables, cooking oils, nuts, herbs and spices, fish and dairy products
- The recent development- and future potential- of organic agriculture
- The rapid growth of national markets and the accessibility of regional markets
- Preferential trade agreements with the EU on the increase in exports

### 4. Tourism

- Unique Development Potentials Attractive coastline, part of Eastern Adriatic Sea, with long sandy beaches and clear water;
- Long, hot and sunny summer season;
- Proximity to major European cities by air;
- Its range of archaeological, historical and religious sites
- A global-recommended tourist destination;
- Albania is ranked 3d among 15 best destinations tourism for 2015 according to L' Express Magazine.
- Albania was listed fourth on the New York Times' "52 places to go in 2014";
- Albania is ranked the first among 3 most special destinations in Europe, according to Albatross Agency in Scotland.

Key tourism segments to develop businesses:

- Beach resorts
- Nature tourism (including trekking, climbing and rafting)
- MICE tourism
- Health tourism (SPA and Thermal)

### 5. Transport and Logistics

Albania's location at the center of a natural crossroad of European transport corridors places the country in a unique geographical position.

#### INFRASTRUCTURE INVESTMENT OPPORTUNITIES– MAJOR PROJECTS

- ROAD TRANSPORT  
The Adriatic – Ionian Road Corridor  
East – West Road Corridor (part of Corridor VIII)
- MARITIME TRANSPORT  
New port of Shengjin:
- AIR TRANSPORT  
Airport in southern Albania



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### ▪ RAIL TRANSPORT

GoA intention is to revive the railway sector and to improve the Core and Comprehensive railway network in Albania, (corridor VIII and the railway connection with Montenegro) as an important transport mean to increase trade in the region and connecting the region with the European Railway Network

## 6. MINING INDUSTRY

The mining industry has traditionally been the backbone of the Albanian economy.

- 764 local and foreign companies equipped with mining licenses
- 154 local and foreign companies equipped with mining licenses for search, search-prospection and prospection

Key areas of mining include:

- CHROMIUM: Albania has large reserves of chromium currently estimated at 36.9 million tons of which 12.8 million tons have between 30% and 42% Cr<sub>2</sub>O<sub>3</sub>.
- COPPER: The copper subsector in Albania is underdeveloped and offers sizeable investment opportunities.
- NICKEL: Albanian reserves of nickel currently estimated at 322 million tons of which 220 million tons are iron-nickel and 102 million tons are nickel silicate. However, the total potential for reserves is considerably higher.

### Technical and Economic Development Areas (TEDA)

The Albanian Government has taken important steps towards a new political approach implementing preferential specific legal packages, result oriented, in order to improve the investment climate and business environment.

Successful steps are taken in order to create new Technical and Economic Development Areas (TEDAs), specially designated for industrial parks development that will benefit from special legislation and investment incentives.

Selected developer(s) for these properties will be offered exclusive development and operator rights as provisioned by the domestic legal framework.

- TEDA KOPLIK (61 ha of flat land by Shkodra Lake)
- TEDA SPITALLA (209 ha situated on the suburbs of Durrës, second most developed city in Albania)
- TEDA VLORA (289 ha)

### Potential Industrial Hubs for:

- ✓ Electronics
- ✓ Mechanical Industry
- ✓ Light industry
- ✓ Agro-processing
- ✓ Automotive Industries
- ✓ **Trade and storage of goods**
- ✓ Services (excluding call-centers)