



ALBANIA
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Albania is a relatively small country located in the Western Balkans with a population of approximately 3 million people and a landmass the size of Maryland. Although the country was largely spared from the severe fallout of the 2008 financial crisis, economic output has slowed since 2009, reflecting the prolonged European crisis in neighboring Italy and Greece where close to 1.2 million Albanians live and work and 66 percent of Albanian trade occurs. Faced with public debt ballooning to 70 percent of GDP and large arrears to the private sector, the government began an ambitious fiscal consolidation program and signed a EUR 330 million euro, three-year program with the IMF in February 2014. Albania's GDP grew by an estimated 2 percent in 2014, up from 1.4 percent in 2013 and the government estimates approximately 3 percent growth in 2015. Low petroleum and mineral prices and the ongoing economic crises in Italy and Greece are the two biggest obstacles that may keep Albania from meeting its 2015 growth targets.

With low domestic demand, low bank lending rates, and limited government spending, the Albanian government has been focused on promoting foreign direct investment (FDI) as the driver of growth in the economy by implementing a liberal foreign investment regime. In recent years, the government has enacted reforms to improve the overall business climate in the country by streamlining business procedures through e-government reforms and improved legislation in a variety of sectors. The government currently is drafting a new Law on Investment that will provide investment incentives and fast-track registration and licensing procedures for strategic foreign investors.

According to the 2015 World Bank Doing Business Report, Albania made progress in regulatory reforms, moving up 40 slots from 108 in 2014 to 68 out of 189 economies in 2015. Albania became an EU candidate country in June 2014 and currently is working to fulfill the criteria that would pave the way for the start of accession negotiations. The EU integration process may serve as a strong incentive for the country to push forward on structural reforms and improve the business climate as the country aligns its legislation with the EU.

The Albanian legal system does not discriminate against foreign investors. The Law on Foreign Investment allows 100 percent foreign ownership of companies and outlines specific protections for foreign investors. Albanian tax policy also does not distinguish between domestic and foreign investments. The U.S. - Albania bilateral investment treaty entered into force in 1998 and ensures that U.S. investors receive most-favored-nation treatment.

Foreign Direct Investment annual inflows in Albania have increased significantly since 2008, averaging close to USD 1 billion per year for the period 2008-2014. Greece and Canada are the largest source of Albanian FDI, representing 45 percent of Albania's USD 5.5 billion foreign investment stock in 2013, mostly in the telecommunications, financial intermediation, manufacturing, hydrocarbon, and mining sectors.

Investment opportunities for U.S. investors likely will increase in the coming years, focusing mostly in oil, gas, energy, infrastructure, financial intermediation, and manufacturing. The government plans to issue 13 oil and gas exploration licenses in the near future and construction on the Trans-Adriatic Pipeline is slated to begin in mid-2015. Upgrades to the electricity

distribution and transmission grids also may create significant investment opportunities. The government also has announced plans to grant many public services to the private sector as public-private partnerships (PPPs) across a wide range of sectors.

Despite progress in these reforms, major challenges remain, with investors citing endemic corruption, weak law enforcement, insufficiently defined property rights, government red tape, lack of developed infrastructure, and frequent changes in the legal framework as major challenges to conducting business in Albania. Changes in political leadership also have raised questions about the legal certainty of licensing and concession agreements signed by previous governments.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Albania has implemented a liberal foreign investment regime with the goal of increasing foreign direct investment. The Law on Foreign Investment allows 100 percent foreign ownership of companies and outlines specific protections for foreign investors. In addition, Albanian tax policy does not distinguish between domestic and foreign investments. The U.S. - Albania bilateral investment treaty entered into force in 1998 and ensures that U.S. investors receive most-favored-nation treatment. The government has taken measures to improve the overall business climate in the country by streamlining business procedures through e-government reforms and improved legislation in a variety of sectors.

Other Investment Policy Reviews

In 2010, the World Trade Organization conducted an Investment Policy Review of Albania, more information about this review can be found at:
https://www.wto.org/english/tratop_e/tpr_e/tp329_e.htm

Laws/Regulations of Foreign Direct Investment

The Law on Foreign Investment attempts to create a hospitable climate for foreign investors and stipulates the following:

- No prior government authorization is needed for an initial investment and no sector is closed to foreign investment;
- 100 percent foreign ownership of companies is permissible;
- Foreign investment may not be expropriated or nationalized directly or indirectly, except for designated special cases, in the interest of public use and as defined by law;
- Foreign investors enjoy the right to expatriate all funds and contributions in kind from their investments; and
- Foreign investors receive ‘most favored nation’ treatment according to international agreements and Albanian law.

The government of Albania (GOA) is in the process of drafting a new law on investments in strategic sectors, aiming to introduce guarantees to foreign investors. In an attempt to attract the

much needed foreign direct investment, especially in manufacturing, the GOA recently approved a 500 hectare free economic zone in Spitalle near the major port of Durres and soon will announce a tender to select the developer of the zone. The fiscal incentives for the zone are not defined yet.

There are limited exceptions to this liberal investment regime, most of which apply to the purchase of real estate: agricultural land cannot be purchased by foreigners and foreign entities, but may be rented for up to 99 years; and commercial property may be purchased, but 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.

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. In addition, parties to a dispute may agree to arbitration. Albania is signatory of the New York Convention and foreign arbitration awards are recognized by Albania. The Albanian Civil Procedure Code outlines provisions regarding domestic and international commercial arbitration. However, many companies complain that endemic corruption and inefficient court procedures undermine judicial protection in Albania and therefore choose to seek international arbitration as a means for dispute resolution.

Albania's tax system does not distinguish between foreign and domestic investors. Reforms are aimed at increasing the efficiency of tax administration and reducing corruption, informality in the economy (as high as 50 percent) makes tax administration a challenge. In an effort to address the sharp decline in government revenues during 2012-2013 and growing public debt, the government, in consultation with the International Monetary Fund, passed a new fiscal package in December 2013. The new fiscal package increased corporate income tax from 10 to 15 percent for medium and large companies and reduced the tax rate to 7.5 percent for companies with less than USD 80,000 in annual turnover. The package also implemented a progressive personal income tax and removed the cap for health insurance contributions and eliminated many tax breaks and incentives in the oil and gas sector. The government introduced improvements to the Value-Added Tax (VAT) law in January 2015, easing the VAT reimbursement process.

U.S. exporters often complain about the unequal application of base pricing, used by local customs to assess taxes and duties on goods imported into Albania.

Visa requirements to obtain residence or work permits are straightforward and do not pose an undue burden on potential investors. The only potential complication to obtaining a work permit is the requirement that a foreign employer maintain a mandated number of local employees. The Law on Foreigners states that a foreign employer will be granted a work permit if the number of foreign employees in the company does not exceed 10 percent of the total number of employees on the payroll for the 12 preceding months.

The Law on Entrepreneurs and Commercial Companies sets guidelines on the activities of companies and the legal structure under which they may operate. The government adopted the law in 2008 to conform Albanian legislation to the European Union's Acquis Communautaire. The most common type of organization for foreign investors is a limited liability company.

The National Business Registration Center serves as a one-stop-shop for business registration. Starting a business is now easier with online publishing of forms and procedures, reduction of registration costs, and the consolidation of tax, health insurance, and labor registration into a single application. The Business Licensing Center streamlines the licensing process by abolishing many licensing requirements and simplifying other licensing procedures. The business registration page can be found at: www.qkr.gov.al and the business, licensing center is www.qkl.gov.al

Albania improved public procurement procedures by introducing an e-procurement law in 2006, which has been amended over the years to improve the public procurement processes. The legal framework on public procurement is governed by the following general principles: non-discrimination and equality of treatment of actual and potential bidders, transparency of procurement procedures, and, proportionality of requirements and obligations imposed on bidders. The legislation covers public entities' procurement of public goods, public services, and public works with a few exceptions including, defense procurement, secret contracts, and contracts requiring special security measures, international obligations, service contracts awarded on the basis of an exclusive right, and other specific exclusions specified in the law.

The law stipulates the following procurement procedures: open procedures, restricted procedures, negotiated procedures, request for proposals and design contests.

The Public Procurement Advocate performs functions similar to an ombudsman by safeguarding the rights and interests of bidders against acts or omissions by contracting authorities. Despite improvements to the laws and regulations, companies continue to complain of nontransparent processes when competing for public tenders, whether it is 'fixed' technical specifications designed to lock out a potential bidder or a lack of clear communication with the relevant ministries. Public procurement opportunities are published on the website of the Public Procurement Agency www.app.gov.al.

In 2013, Albania approved a new law on concessions and public-private partnerships. All contracts signed or negotiated prior to the new law remain subject to the provisions of the previous law. The new law aims to better align Albanian policy with EU legislation and clarify the distinction between concession contracts and public-private partnerships. The law establishes the framework for promoting and facilitating the implementation of privately financed concessionary projects and aims to enhance transparency, fairness, efficiency, and long-term sustainability in the development of infrastructure and public service projects. Concessions may be identified by central or local governments or through third party unsolicited proposals. The law applies to the following sectors:

- Electricity and heating: generation and distribution;
- Health;
- Natural gas distribution;
- IT and database infrastructure: service and maintenance;
- Urban and suburban rehabilitation and development
- Prison and judicial infrastructure;
- Recycling projects, rehabilitation of land and forests;

- Industrial parks and mining;
- Housing, governmental buildings;
- Solid waste: collection, transfer, processing, depositing, and administration;
- Telecommunication;
- Tourism, leisure and hotels;
- Culture and sports;
- Science and education;
- Transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking facilities, public transport);
- Social Services
- Public lighting in the local government units
- Water: production and distribution, treatment, collection distribution and administration of waste water, irrigation, drainage, cleaning of canals, dams;
- Public services: management contracts, including those related to sectors specified above.

In order to promote investment in priority sectors, the government has announced that it may offer concessions to local or international investors for the symbolic price of one euro, but has not yet detailed specific concessions that will receive this treatment. The Government may, with the proposal of other central government agencies or local government, authorize concessions in other sectors other than those listed above. The law does not apply to concessions that require a separate operating license, unless that is included in the framework of the concession agreement.

Industrial Promotion

The GOA is eager to attract foreign investment across all sectors, particularly in job creating industries that will help the government address high unemployment rates.

Please see a detailed list of incentives under subchapter five. Interested investors should contact the Albanian Investment Development Agency (AIDA) (www.aida.gov.al), to learn more about specific sectors. The GOA is currently drafting a law on investments in strategic sectors that will outline incentives for investors in various sectors.

Limits on Foreign Control

There are no restrictions on foreign ownership or control in domestic corporations. According to the Albanian legislation 100 percent foreign ownership of companies is allowed. There also are no sector-specific restrictions that discriminate against market access applicable to foreign investment.

Privatization Program

The privatization process in Albania is nearing a conclusion, with only a few major privatizations remaining. These few opportunities include electricity distribution company, the state owned insurance company INSIG, 16 percent of the fixed line telephone company Albtelekom, the state owned oil company Albpetrol, and, 25 percent of oil refiner ARMO. SOEs operate in the energy generation, electricity transmission and distribution, water supply, ports, railway, insurance, postal services, and hydrocarbon sectors.

In recent years, the government has granted as PPPs a large number of services, previously performed by public administration and is in the process of granting a wider range of services under the same model. The Ministry of Economy announced at the end of 2014 a very aggressive program of granting more than 65 services as PPPs across all sectors. The tendering procedures are published online and bidding also can be done on line at the Public Procurement Agency website: www.app.gov.al

Screening of FDI

The government does not screen foreign direct investment.

Competition Law

The Law on Protection of Competition governs incoming foreign investment whether it is through mergers, acquisitions, takeovers, or green field investments, irrespective of the industry or sector. In the case of particular share transfers in insurance and banking industries, additional regulatory approvals are needed. Also, transactions between parties outside Albania – foreign to foreign transactions – are covered by the competition law, which explicitly states that it applies to all undertakings, whether domestic or foreign, whose activities have a direct or indirect effect on the Albanian market.

Investment Trends

The legal framework to promote investment has been improving and the country offers significant emerging opportunities across all sectors, especially in natural resources. Corruption and transparency remain a significant concern, however, especially in the natural resources sector, with many foreign companies reporting pressure to hire specific employees or sub-contractors affiliated with public officials. In June 2014, Albania became a European Union (EU) candidate country and now is working to fulfill the necessary criteria that would pave the way for the start of accession negotiations. The EU integration process likely will provide an incentive for Albania to continue on its reform path and to improve the business climate.

According to the 2015 World Bank's Doing Business Report, Albania made progress in regulatory reforms, moving up 40 slots from 108 in 2014 to 68 out of 189 in 2015.

Foreign Direct Investment annual inflows in Albania have increased significantly since 2008, averaging close to USD 1 billion per year for the period 2008-2014. The largest recipients of FDI inflows are extractive industries (primarily oil and gas), telecommunication, financial intermediation, and wholesale and retail sales. The government recently announced plans to license 13 oil and gas exploration blocks in 2015, which also may drive an increase in FDI in the coming years.

Foreign investors cite Albania's strategic location in the Balkans, vicinity with major European markets, free trade agreements with key markets (European Union, Turkey, CEFTA and EFTA countries), opportunities for investments in a wide range of sectors, and inexpensive and skilled labor force as major reasons for investing in Albania.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	110 of 174	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	68 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	94 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 4,710	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The Central Bank of Albania (BOA) formulates, adopts, and implements foreign exchange policies and maintains a supervisory role in foreign exchange activities in accordance with the Law on the Bank of Albania No. 8269 and the Banking Law No. 9662. Foreign exchange is regulated by the 2009 Regulation on Foreign Exchange Activities no. 70 (FX Regulation).

The BOA maintains a floating free exchange rate regime for its domestic currency, the Lek (ALL). Foreign exchange is readily available at banks and exchange bureaus. However, when exchanging large amounts, preliminary notification may be necessary as the exchange market in Albania remains small. The ALL has remained stable compared to the Euro, but depreciated by approximately 25 percent compared to the dollar over the past year (largely due to Euro depreciation). Albanian authorities do not engage in currency arbitrage and do not view it as an efficient instrument to achieve competitive advantage.

Remittance Policies

The Banking Law does not impose any restrictions on the purchase, sale, holding, or transfer of monetary foreign exchanges. However, the Law on the Bank of Albania authorizes the bank to temporarily restrict the purchase, sale, holding, or transfer of foreign exchanges in order to preserve the foreign exchange rate or its official reserves. In practice, the Bank of Albania rarely uses such measures. The last time was in 2009 when the Bank temporarily tightened supervision rules over liquidity transfers by domestic banks to their foreign mother banks due to the widespread lack of liquidity in international financial markets. It also asked banks to not distribute dividends and to use them to increase shareholders’ capital instead. The Bank lifted these restrictions in 2010.

The Law on Foreign Investment guarantees the right to transfer and repatriate any funds associated with an investment from Albania into a freely usable currency at a market-clearing

rate. Only licensed entities (banks) may conduct foreign exchange transfers and waiting periods depend on office procedures adopted by the banks. Both Albanian and foreign citizens entering or leaving the country must declare assets in excess of ALL 1,000,000 (USD 8,000) in hard currency and/or precious items. Failure to declare such assets is considered a criminal act and punishable by confiscation of the assets and imprisonment. Legal parallel markets are not in place in Albania as the financial sector does not make use of convertible or negotiable instruments.

Although the Foreign Exchange Regulation provides that residents and non-residents may transfer capital within and into Albania without any restrictions, capital transfers out of Albania are subject to certain documentation requirements. Physical persons must submit a request indicating the reasons for the capital transfer, the amount of capital transferred outside the territory of Albania, and the address to which the capital will be transferred. Such persons also must submit a declaration on the source of the funds to be transferred. In January 2015, The FX Regulation was amended and the requirement to present the documentation showing the preliminary payment of taxes related to the transaction was removed.

Albania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body.

3. Expropriation and Compensation

The Albanian Constitution guarantees the right of private property. According to Article 41, the expropriation or limitation in the exercise of a property right only can occur in the public interest and with fair compensation. In the post-communist period, expropriation has been limited to land needed for the public interest, mainly infrastructure projects such as roads, energy infrastructure, water works, airports, etc. Compensation has generally been below market value and owners have complained that the compensation process is slow and unfair. Civil courts are responsible for resolving such complains.

Political change also can be of concern to foreign investors. Following 2013 elections and a peaceful transition of power, the new government revoked or attempted to renegotiate numerous concession agreements, licenses, and contracts signed by the previous government with both domestic and international investors. This has occurred in years past, as well.

There are many ongoing disputes regarding properties confiscated during the communist regime. Identifying land titles and ownership in Albania is a perpetual problem that makes restitution for expropriated properties extremely difficult. The restitution and compensation process started in 1993, but has been slow and marred by corruption. Many U.S. citizens of Albanian origin have long-running restitution disputes. Court cases tend to drag on for years without a final decision, forcing many to take their case to the European Court of Human Rights in Strasburg, France. The Court has so far issued 18 decisions in favor of Albanian citizens in civil cases involving protection of property with an assessed financial cost of approximately USD 12 million. Reportedly there are in total 379 applications pending for consideration. Even once a case is settled in Strasburg, enforcement of the decision is often slow or nonexistent.

The GOA has presented three methods of compensation for confiscation claims: restitution; compensation of property with similarly valued land in a different location; and cash settlement/financial compensation. In practice however, a lack of funding and the large amount of claimants has significantly slowed the restitution process.

Albanian governments have not engaged in expropriation actions against U.S. investments, companies or representatives. There have been limited cases when the government has revoked licenses, especially in the mining and energy sectors, based on contract violation claims.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Albania has a civil law system similar to that of most other European countries. The Albanian Constitution provides for the separation of legislative, executive, and judicial branches; thus supporting the independence of the judiciary. The Civil Procedure Code enacted in 1996 governs civil procedure in Albania. The civil court system consists of district courts, appellate courts, and the Supreme Court. The district courts are organized in specialized sections according to the subject of the claim: civil disputes; family disputes; and commercial disputes.

In 2012, Albania approved the law on administrative courts, and these courts began operation in late 2013. The administrative courts of first instance, the Administrative Court of Appeal, and the Administrative College of the High Court now adjudicate administrative disputes. Administrative courts aim to enable fast adjudication of administrative cases. The Constitutional Court reviews whether laws or subsidiary legislation comply with the Constitution and in limited cases protects and enforces the constitutional rights of citizens and legal entities.

Parties may appeal the judgment of the first instance courts within 15 days, while Appellate Court judgments must be appealed to the Supreme Court within 30 days. A lawsuit against an administrative action is submitted to the administrative court within 45 days from notification and the law stipulates short procedural timeframes enabling faster adjudication of administrative disputes.

Albania does not have a specific commercial code, but defines commercial legislation through a series of commercial laws. Relevant laws include: Foreign Investment Law; Commercial Companies Law; Bankruptcy Law; Environmental Law; Corporate and Municipal Bonds; Transport Law; Maritime Code; Secured Transactions Law; Employment Law; Taxation Procedures Law; Banking Law; Insurance and Reinsurance Law; Concessions Law; Mining Law; Energy Law; Water Resources Law; Waste Management Law; Excise Law; Oil and Gas Law; Gambling Law; Telecommunications Law; Value Added Law; Sports Law; etc.

Albania is signatory of the New York Convention and foreign arbitration awards may be enforced in local courts. Investors often cite corruption and inefficiency in the judiciary as a serious impediment to conducting business in Albania and often seek out international arbitration as an alternative means for dispute resolution.

Bankruptcy

The Bankruptcy Law governs the reorganization or liquidation of insolvent businesses. It sets out non-discriminatory and mandatory rules for the repayment of the obligations by a debtor in a bankruptcy procedure. The law establishes statutory time limits for insolvency procedures, professional qualifications for insolvency administrators, and an Agency of Insolvency Supervision to regulate the profession of insolvency administrators. A simplified insolvency procedure for small businesses is also in place.

A bankruptcy procedure can be initiated by debtors, creditors, as well as by tax authorities. Tax authorities can request a bankruptcy procedure when the subject reports financial losses three years in a row. The bankruptcy proceedings can initiate when the debtor is unable to pay the obligations at the maturity date. In addition, the inability to pay the obligations in the near future shall also be a reason for the debtor to file for bankruptcy.

According to the provisions of the Bankruptcy Law the initiation of the bankruptcy proceeding would suspend the enforcement of the claims of all the creditors against the debtor subject to bankruptcy. Creditors of all categories should submit their claims to the bankruptcy administrator in order to be treated under the bankruptcy proceeding. The Bankruptcy Law provides specific treatment for different categories, dividing them into: secured creditors; unsecured creditors; and unsecured creditors of lower ranking (i.e. those whose claims would be paid after all the secured and unsecured creditors are satisfied). The claims of the secured creditors will be satisfied by the assets of the debtor, which secure such claims under security agreements. The claims of the unsecured creditors will be paid out of bankruptcy estate excluding the assets used for payment of the secured creditors, following the priority ranking described under the Albanian Civil Code.

Pursuant to the provisions of the Bankruptcy Law, the creditors have the right to establish a creditors committee and the creditors' assembly. The creditors' committee is appointed by the Commercial Section Courts, before the first meeting of the creditors' assembly. The creditors' committee represents the secured creditors, the unsecured creditors with the larger claims, and creditors with the small claims. The committee has the right: (i) to support and supervise the activities of the insolvency administrator; (b) to request and receive information about the insolvency proceedings; c) to inspect the books and records; and d) to order an examination of the revenues and cash balances.

In the event that the creditors and administrator agree that reorganizing the company is the best option, the administrator of the bankruptcy shall prepare a reorganization plan and submit it to the court for authorizing implementation.

According to the law on bankruptcy, foreign creditors have the same rights as domestic creditors with respect to the commencement of, and participation in, a bankruptcy proceeding. The claim is valued as of the date the insolvency proceeding is opened. Claims expressed in foreign currency are converted into Albanian currency according to the official exchange value applicable to the place of payment at the time of the opening of the proceeding.

The Albanian Criminal Code provides for several criminal offences in bankruptcy such as: (i) the bankruptcy provoked intentionally; (ii) concealment of bankruptcy status; (iii) concealment of assets after bankruptcy; and (iv) failure to comply with the obligations arising under bankruptcy proceeding.

According to 2015 Doing Business Report of the World Bank, Albania ranks 44 out of 189 countries in the insolvency index. A reference analysis of the ‘resolving insolvency’ can be found here: <http://www.doingbusiness.org/data/exploreeconomies/albania/resolving-insolvency/>

The number of bankruptcy cases in Albania is limited, with only a handful of bankruptcy proceedings filed during 2014.

Investment Disputes

In the past ten years, there have been two major investment disputes between the Albanian government and U.S. companies. Both disputes were settled in International Arbitration, one in favor of the U.S. company and the other in favor of the Albanian government. In both instances, both parties respected and enforced the findings of the arbitration.

The recent dispute between the GOA and the Czech power group, CEZ, following its failed privatization of the Albanian Electricity Distribution company was settled outside of court.

International Arbitration

Under the Albanian Constitution, ratified international agreements prevail over domestic legislation. Albania is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). It is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). They have ratified the 1927 Convention and the European Convention on Arbitration (Geneva Convention).

In order for an arbitration award locally recognized the claimant must enforce the award before the Court of Appeals.

The procedure for the recognition of a foreign arbitral award typically last around one month and either party may appeal the Court’s decision to the Supreme Court. The appeal must be filed within 30 days from the date of decision or notification of the other party (if absent).

The possibility of bringing an action before the local court in order to avoid arbitration proceedings is remote. According to explicit provisions in the Albanian Code of Civil Procedure, if a party brings actions before local courts despite the parties’ agreement to arbitrate, the court would, upon motion of the other party, dismiss the case without entertaining the merits of the case. The decision of the court to dismiss the case can be appealed to the Supreme Court, which has 30 days to consider the appeal.

An alternative to dispute settlement via the courts is private arbitration or mediation. Parties can engage in arbitration when they have agreed to such a provision in the original agreement, when

there is a separate arbitration agreement, or by mutual agreement at any time when the dispute arises. Legislation distinguishes arbitration of international disputes from arbitration of domestic disputes in that the parties involved in an international dispute may agree to settle through either a domestic or foreign arbitration tribunal. Mediation also is applicable in resolving all civil, commercial, and, family disputes and is regulated by the law “On Dispute Resolution through Mediation.” Arbitral awards are final and enforceable and can be appealed only in cases foreseen in the Code of Civil Procedure. Mediation is final and enforceable in the same way.

There are no consolidated institutions for dispute resolution through arbitration and arbiters are appointed ad hoc in compliance with the provisions of the Code of Civil Procedure. While for the mediation process, the law provides for the establishment of the National Chamber of Mediators and Chambers of Mediators as institutions to perform mediation. Mediators are licensed and registered at the Mediators Register at the Ministry of Justice, which maintains a list of mediators from which the parties can choose.

The provisions with respect to arbitration procedures and the recognition and enforcement of the foreign awards are stipulated in the Albanian Code of Civil Procedure. Albania does not have a separate law on arbitration. Although the arbitration chapter of the Code of Civil procedure stipulates only the rules for domestic arbitration, the country is signatory of the 1958 New York Convention and as such, recognizes the validity of the written arbitration agreements and arbitral awards in a contracting state.

ICSID Convention and New York Convention

Albania is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). It is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

The Albanian Code of Civil Procedure requires the courts to reach a judgment within a reasonable amount of time, but it does not provide for a specific deadline when referring to commercial disputes. Reaching a final judgment in a commercial litigation may take up to several years if all the stages of the process are exhausted.

The procedure for the recognition of a foreign arbitral award should take on average approximately one month, however in certain cases this decision may be appealable. An appeal against a court decision that recognizes a foreign arbitral award does not automatically suspend the effects of the enforcement.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Albania does not have any performance requirements that are inconsistent with the World Trade Organization (WTO) Trade-Related Investment Measures (TRIMs) obligations. Albanian law does not impose performance requirements on foreign or domestic investors. Furthermore, the

bilateral investment treaty between the two countries prohibits either party from mandating or enforcing performance requirements as a condition for the establishment, acquisition, expansion, management, conduct, or operation of a covered investment.

Investment Incentives

The Albanian Investment Development Agency (www.aida.gov.al) is the best source to find incentives offered across a variety of sectors. Distinct from the incentives listed below, individual parties may negotiate additional incentives directly through AIDA or with the Ministry of Economy, Trade, Tourism and Entrepreneurship.

The hydrocarbons sector, exploration and exploitation: Companies operating in the oil and gas extraction industry pay profit tax at the rate of 50 percent (different from the flat 15 percent corporate income tax applicable for all other taxpayers) after deduction of all capital expenditure and operating and administrative expenses, in accordance with the respective petroleum sharing agreement signed with the government (PSA are negotiated on a case by case basis).

The import of goods or services relating to the performance of exploration/research phase of petroleum operations, carried out by contractors who work for these operations, is VAT exempt.

Energy sector: Cement and iron imported for the construction of HPPs is VAT exempt.

Foreign tax credit: Albania applies foreign tax credits rights even in case there is no double tax treaty in place with the country where the tax is paid. If a double taxation treaty is in force, double taxation is avoided either through an exemption or by granting tax credit up to the amount of the applicable Albanian corporate income tax rate (currently 15 percent).

Corporate income tax exemption: Film studios and cinematographic productions, licensed and funded by the National Cinematographic Centre are exempted from paying corporate income tax.

Loss carry forward for corporate income tax purposes: Fiscal losses can be carried forward for three consecutive years (the first losses are used the first). However, they can't be carried forward if more than 50 percent of direct or indirect ownership of the share capital or voting rights of the taxpayer is transferred (changed) during the tax year.

Tax exemption of dividends designated for investments: Dividends and profit share paid by a resident or non-resident company to a resident taxpayer will not be subject to corporate income tax for the resident taxpayer. This applies, despite the participation quote, in amounts or number of shares, in shareholder capital of the voting rights or participation in initial capital of the beneficiary.

Incentives for manufacturing sector

Lease of public property: Government of Albania can lease public property of more than 500 m², or grant a concession for the symbolic price of 1 euro if the properties will be used for manufacturing activities with an investment exceeding 10 million euro, or for inward processing activities. The GOA can also lease public property or grant a concession for the symbolic price of 1 euro for investments of more than 2 million euro on activities that address social and

economic issues in a certain area, as well as activities related to sport, culture, tourism and cultural heritage. Criteria and terms are decided on a by case basis by the Council of Ministers.

Manufacturing activities are exempt 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 pays the salaries for 4 months for the new employees and offers various financing incentives for job training.

VAT credit for fuel: Taxpayers whose main business activity is the production of bricks and tiles and the transport of goods with technological means are allowed to credit VAT on the purchase of fuel used wholly and exclusively for their business activities, up to the limit of a certain percentage of the taxpayer's total annual turnover.

Manufacturing sector obtains VAT refunds immediately in the case of zero risk exporters, within 30 days if the taxpayer is an exporter, and within 60 days in the case of other taxpayers.

Apparel and footwear producers are exempt from 20 percent VAT on raw materials as long as the finished product is exported. In 2011, the GOA also removed customs tariffs for imported apparel and raw materials in the textile and shoe industries (e.g. leather used for clothes, cotton, viscose, velvet, sewing accessories, etc.)

Research and Development

The Agency for Research, Technology and Innovation (ARTI), is a public, legal institution whose mission is to evaluate, finance, monitor and manage programs and projects in the fields of science, technology and innovation in Albania. ARTI (<http://www.akti.gov.al/>) aims to fund projects in the field of Small and Medium Business as well as transfer, modernization and renewal of their technologies. The Agency is funded by the state budget, donations by both domestic and foreign individuals and private sector, EU programs and projects, from specific countries and partner organizations. There are no restrictions to apply for research and development projects for foreign firms operating in Albania.

Performance Requirements

Although visa, residence, and work permit requirements are straightforward and do not pose an undue burden on potential investors, the Law on Foreigners requires foreign investors to prove that foreign employees are less than 10 percent of total workforce before granting a work permit.

Data Storage

According to the current legislation in force, companies that have sensitive data (mostly in telecommunications, banking, energy sector, etc.) are not authorized to transfer data abroad. In order to do so, they need to get approvals and fulfill certain security criteria. As such, many companies operating in Albania are returning their data inside Albania. The two large private datacenters in Albania belong to the telecom operator Albtelecom and Albanian Telecommunication Union.

6. Right to Private Ownership and Establishment

Albanian law permits private ownership and establishment of enterprises and property. Foreign investors do not need additional permission or authorization beyond that required of domestic investors. The government applies restrictions only on the purchase of real estate: agricultural land cannot be purchased by foreign individuals or foreign companies, but may be rented for up to 99 years. Commercial property may be purchased, but 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.

Both foreign and domestic investors continue to experience significant issues in resolving property disputes arising from unclear or incomplete documentation.

Foreigners can acquire concession rights on natural resources and on resources of the common interest, as defined by the Law on Concessions and Public Private Partnerships. The National Licensing Center (NLC) serves as a one-stop-shop for business licenses. More information on the types of licenses and application procedures is outlined at www.qkl.gov.al

The 2007 ‘Law Establishing the National Registration Center’ (NRC) allows business entities to register in a single place, in one day, for one euro. More information on the NRC can be found at www.qkr.gov.al.

Foreign and domestic investors have numerous options available for organizing business operations in Albania. The 2008 ‘Law on Entrepreneurs and Commercial Companies,’ and ‘Law Establishing the National Registration Center’ (NRC) allows for the following legal types of business entities to be established through the NRC: Sole Entrepreneur; Unlimited Partnership; Limited Partnership; Limited Liability Company; Joint Stock Company; Branches and Representative Offices; and Joint Ventures.

7. Protection of Property Rights

Real Property

Real Estate is registered at the Immovable Property Registration Office (IPRO). The procedures are cumbersome and registrants have complained of corruption within the process. Recent changes in legislation allow a notary public to have access to real estate registers and confirm the legal ownership of property. For large transactions, it is still advisable to hire an attorney to check documents and procedures for property registration.

Property legislation has developed in a piecemeal and uncoordinated way. Immovable property rights enforcement is not efficient and is a common source of corruption allegations and lengthy legal procedures. Through the use of international donor assistance the recording system has improved. The initial property registration process has also seen progress because the GOA is committed to identifying property owners and properly registering land titles.

The process of registering property remains cumbersome and difficult to navigate.

Approximately 13 percent of properties nationwide are not yet registered, mostly in urban and high value coastal areas. Illegal construction is a major impediment to securing property titles.

The legalization process to address large-scale illegal construction started in 2006 and is still ongoing. There are an estimated 350,000 illegal buildings in Albania. In an attempt to legalize property and punish illegal construction, the government's National Urban Construction Inspectorate (INUK) began a campaign of building demolition in late 2013. There were credible reports that the government demolished some homes without due legal process as part of a wider campaign to demolish illegally constructed buildings. Citizens also submitted complaints that INUK ignored citizens' requests to demolish some illegal buildings while choosing to demolish other buildings about which citizens had not complained. Unresolved property issues continue to undermine efforts to develop a functional land market.

The civil court system manages property rights disputes. Decisions from civil courts often take many years and authorities often do not enforce court decisions. In 2010 there were amendments to the law on foreign investments, which granted special protection to foreign investors on property disputes. However, the new law on strategic investments aims to fill in the gap and provide to foreign investors assistance on a large variety of issues including property title.

According to the 2015 World Bank's Doing Business Report, Albania performed poorly in the registering property category, ranking 118 out of 189 economies. It takes 22 days and 6 procedures to register a property and the associated cost can reach 10 percent of the total property value.

Intellectual Property Rights

Copyright

Albania is not and never has been on the Special 301 Watch List or Priority Watch List. However, IPR infringement and theft are common due to weak legal structures and poor enforcement. Counterfeit goods are present in the local market ranging from software to garments and machines. Albanian law protects copyrights, patents, trademarks, stamps, marks of origin, and industrial designs, but there remains a significant gap between the law's intent and its enforcement. Regulators are ineffective at collecting fines and prosecutors rarely press charges for IP theft. U.S. companies should consult an attorney experienced in IPR issues and avoid potential risk by establishing solid commercial relationships and drafting strong contracts.

The Albanian government persists in failing to enact key legislation that would strengthen IPR enforcement and address shortcomings in existing legislation.

The main institutions responsible for IPR enforcement include the Albanian Copyright Office (ACO), Audiovisual Media Authority (AMA), the General Directorate of Patents and Trademarks (GDPT), the General Directorate for Customs, Tax Inspectorate, Prosecutor's Office, police, and the courts. Most IP-related fines are never collected and the few cases that the regulatory agencies refer to prosecutors are rarely enforced.

The AMA, which regulates broadcast and cable television, has been ineffective in fighting content theft in the broadcast sector due to political disputes over the composition of the Board of Directors. In November 2014, all vacancies were filled but challenges persist. The Albanian Copyright Office (ACO), established in 2006, is the main institution responsible for monitoring and implementing Albanian copyright law, but the ACO lacks administrative and institutional

capacity. Law enforcement on copyrights remains virtually nonexistent and copyright violations are rampant.

The number of copyright violation cases brought to court remains low. ACO sanctions are not effective and the low fines it levies are rarely collected and do not serve as an adequate deterrent. In 2010, a ‘Law on Administrative Contraventions’ was adopted to improve collection of fines for infringement of copyrights, but enforcement of this law remains weak to non-existent. The ACO, along with the customs, tax and police authorities, are responsible to report on the seizure of counterfeit goods. While official figures are not available, Customs does report the quantity of counterfeit goods destroyed annually. In case of seizure, the rights holder has the burden of proof and must first inspect the goods before any further action takes place. The rights holder is also responsible for the storage and destruction of the counterfeit goods.

Patents and Trademarks

The General Directorate for Patents and Trademarks (GDPT) is responsible for the registration and administration of patents, commercial trademarks and service marks, industrial designs, and geographical indications. The 2008 law on Industrial Property was amended in 2014 to reflect EU legislation on this matter. Despite adequate legislation, the GDPT still needs further capacity building and additional human resources to be effective. Specifically, examination procedures are lengthy due to the very limited number of examiners for patents and trademarks.

Albania became a contracting party to the WIPO Patent Law Treaty and a full member of the European Patent Organization in 2010. The government became party to the London Agreement on the implementation of article 65 of the European Convention for the Patents in 2013.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Contact at mission on IP issues:
Donald A. Brown
Economic and Commercial Officer
Phone: + 355 (0) 4229 3115
E-mail: BrownDA8@state.gov

Country resources:
American Chamber of Commerce: www.amcham.com.al
Address: Rr. Deshmoret e 4 shkurtit, Sky Tower, kati 11 Ap 3 Tirana, Albania
Email: info@amcham.com.al
Phone: +355 (0) 4225 9779
Fax: +355 (0) 4223 5350
List of local lawyers
http://tirana.usembassy.gov/list_of_attorneys.html

8. Transparency of the Regulatory System

Albania's regulatory system has improved in recent years but still faces challenges. Uneven enforcement of legislation, cumbersome bureaucracy, and lack of transparency are all hindrances to the business community.

Albania has adopted legislation and established agencies that superficially provide transparent rules and regulations to foster competition and attract investment. The government has amended the 2003 'Law on Protection of Competition' several times and created the Agency for the Protection of Competition in 2004. The law seeks to promote clear rules of the game. However, the legislation's uneven enforcement is one of the major reasons for distorting competition in the market. The operational independence and administrative capacity of the Competition Authority also needs to be strengthened so it can serve as an able watchdog.

Other independent agencies and bodies, including the Energy Regulator, Telecom Regulator, and other major institutions operate to ensure transparency in specific sectors. New legislation on public procurement introduced e-procurement and resulted in improved transparency in public procurements. However, as in many other areas, the proper enforcement of the law remains a challenge and problems with tender procedures are frequent. Business registration and licensing are streamlined through the one-stop-shop centers for registration and licensing. Although business registration is an easy step, licensing still remains cumbersome in some sectors. Albanian legislation includes rules on disclosure requirements, formation, maintenance and alteration of capital, mergers and divisions, takeover bids, shareholders' rights, as well as corporate governance principles. The 'Law on Accounting and Financial Statements' includes reporting provisions that stipulate large companies will apply International Financial Reporting Standards, while small and medium businesses will apply National Financial Reporting Standards.

In an effort to improve the dialogue between the public and private sector and to increase transparency in the process of drafting and approving new laws and regulations, the government established the National Economic Council (NEC) in 2014. According to the law, the NEC serves as an institution to guarantee institutional cooperation between the private and public sector. The law regulating the Council's activity clearly stipulates the principles and timeline of the consultation process. Although the participation of the business community in the consultation process has increased, issues of concern remain. Oftentimes, laws are rushed into the approval process without providing ample time for business community to comment, while at other times stakeholder input is not incorporated into the final version. Many representatives of the business community complain that the NEC has not become a forum for effective private sector consultation as it was intended to be.

9. Efficient Capital Markets and Portfolio Investment

In the absence of a stock market, the country's banking sector remains the main channel for business financing. It is sound, profitable, and well-capitalized, although the high rate of non-performing loans remains a concern. At the end of 2014, non-performing loans reached 22.8 percent of all private loans, marking the first reduction compared to their peak level of 25 percent throughout most of the 2014. However, capital adequacy at 16.8 percent -- far above

Basel requirements -- indicates the sector currently has sufficient assets, which totaled USD 12 billion in 2014. The banking sector is fully private and consists of 16 banks, most of which are subsidiaries of foreign banks. The Turkish National Commercial Bank is the largest bank, with 23.5 percent of the market, followed by Austrian Raiffeisen Bank with 20.5 percent market share. The market share of Greek banks has decreased significantly in recent years, with French and Italian banks filling the void. The two main Albanian banks possess approximately 12.5 percent of sector assets.

Money and Banking System, Hostile Takeovers

Albania's banking sector weathered the financial crisis better than many of its neighbors, largely due to a lack of exposure to international capital markets and domestic housing bubbles. There is sufficient liquidity in the market to enter and exit sizeable positions. The sector remained profitable even during the peak of the financial crisis when it suffered a reduction of deposits of about 15 percent. In 2014, profits reached approximately USD 100 million with a 0.9 percent return on assets and 10.5 percent return on equities. Market concentration remains high, as the five largest banks dominate the market with about 73 percent of total assets. The Bank of Albania has the flexibility to intervene in the currency market to protect exchange rates and official reserves, but only for a period not exceeding 12 months. In 2009, following the global financial crisis, the central bank restricted the distribution of domestic banking sector profits in order to maintain sufficient liquidity in the sector but lifted the restriction in July 2010. The Bank of Albania further loosened monetary policy in 2014 and again in March 2015, with official central bank interest rates reaching a historical low of 2 percent.

Foreigners are not required to prove a residency status to establish a bank account other than the normal know your client procedures. However, in the case of U.S. citizens, they are required to fill a form accepting the disclosure of their banking data to IRS authorities in the framework of U.S. Foreign Account Tax Compliance Act requirements.

Commercial Credit

The GOA has adopted policies promoting the free flow of financial resources as a mechanism to promote any type of foreign investment in Albania. The government and Central Bank refrain from restrictions on payments and transfers for international transactions. While being a shallow FX market, banks enjoy enough liquidity to support sizeable positions. Furthermore, portfolio investments remain limited mostly to company shares, government bonds, and real estate.

The credit market is quite competitive but interest rates can be high, currently between 7 and 11.5 percent. Most mortgage and commercial loans are denominated in euros as rate differentials between local and foreign currency average 2-4 percent. Commercial banks have improved the quality and quantity of services they offer and the private sector has benefited from the expansion of these instruments. However, the high rate of non-performing loans and the economic slowdown has forced commercial banks to tighten their lending standards, making access to local capital more difficult.

10. Competition from State-Owned Enterprises

The privatization process of State Owned Enterprises (SOEs) in Albania is nearly complete and the few remaining SOEs primarily are in the utilities sector. SOEs operate mostly in the electrical sector (generation, transmission, and distribution), water supply, ports, railway, insurance, postal services, and hydrocarbon sectors.

SOEs are defined as legal entities, which are entirely state-owned or state-controlled and operate as commercial companies in compliance with the Law on Entrepreneurs and Commercial Companies. There is no discrimination between public and private companies operating in the same sector. The government requires SOEs to submit annual reports and undergo independent audits. SOEs are subject to the same tax levels and procedures and same domestic accounting and international financial reporting standards as all other commercial companies. The High State Audit is the institution that audits the activity of the SOEs. They also are subject to public procurement law. The SOEs purchase and supply goods and services from and to the domestic and foreign companies.

OECD Guidelines on Corporate Governance of SOEs

There are no legal binding requirements for the SOEs to adhere to OECD guidelines. The corporate governance structure of the SOE includes the Supervisory Board and the Directorate. The Supervisory Board is comprised of 3-9 members, who are not employed by the SOE and are appointed one-third by the Ministry of Economy, one-third by the Ministry of Finance and one-third by the line ministry or institution to which the company reports. The Supervisory Board and the Shareholder's Assembly, which is the highest decision making authority, appoint the Administrator for the SOE.

Sovereign Wealth Funds

Albania doesn't have a sovereign wealth fund.

11. Corporate Social Responsibility

Public awareness of corporate social responsibility (CSR) in Albania is low and CSR remains a relatively new concept for the majority of the business community. The small amount of CSR engagement in Albania primarily comes from the energy, telecommunication, heavy industry, and banking sector and tends to focus on philanthropy and environmental issues. Efforts from international organizations to promote CSR awareness, however, are beginning to bear fruit. Thanks to the efforts of the international community and large international companies, the first Albanian CSR Network was founded in March 2013 as a business-led non-profit organization. The American Chamber of Commerce also formed a CSR subcommittee to promote CSR amongst its members in 2015. The government maintains relatively robust CSR, labor and employment rights, consumer protection, and environmental protection legislation, but enforcement and implementation is inconsistent.

OECD Guidelines for Multinational Enterprises

The Corporate Governance Code for unlisted joint stock companies incorporates the OECD definitions and principles on corporate governance, but is not legally binding. The code provides guidance for Albanian companies, aiming to provide a best-practice framework above the minimum legal requirements, and assists Albanian companies in developing a sound governance framework.

12. Political Violence

Political violence is rare. Albania's June 2013 elections and subsequent September 2013 transition to a new government were peaceful. However, four protesters were shot and killed by security forces during a violent political demonstration on January 21, 2011.

Albania is a source of stability in the region and maintains friendly relations with all neighboring countries.

13. Corruption

Corruption remains a persistent and pervasive problem at all levels of Albanian society. Under the Albanian Criminal Code, both active and passive corruption, abuse of office, and undue influence are considered criminal offenses. In addition to basic corruption offenses, there are specific criminal provisions addressing active and passive corruption by persons exercising public functions, high state officials and locally elected persons, judges, prosecutors, and employees of the judicial bodies and the private sector. Provisions addressing cases of bribery by foreign public officials exist while penalties for corruption in the private sector have increased. There also are provisions addressing trading in influence. The legislation on conflict of interest and declarations of assets by public officials, their spouses and adult children also is in place and was amended several times to address the loopholes and improve the efficiency. In 2012, Parliament restricted the immunity of high-level public officials and judges while 2014 amendments of the Criminal Procedure Code enabled the proper enforcement of these constitutional changes. Despite these amendments, no high-level officials have been successfully prosecuted for corruption.

Police authorities and the Prosecutor General's Office are in charge of criminal investigations and law enforcement, while the High State Audit and internal auditing units within various state institutions, inspect, assess, and report alleged cases of corruption. The High Inspectorate for the Declaration and Audit of Assets and Conflict of Interest (HIDAACI) collects and audits the annual declaration of assets and properties of around 5,000 mid- and high-level public officials in central and local executive agencies and supervises the prevention of conflicts of interest. A Joint Investigative Unit against corruption and economic crime was established in 2007 in the Tirana District Prosecution Office. The unit is a multi-agency taskforce composed of police staff from the prosecutor's offices, the state, customs and tax police, and other relevant institutions, working together on specific investigations. Based on the first unit model, seven more units were established in regions throughout Albania to prosecute corruption and economic crimes outside Tirana. In the Judiciary, the High Council of Justice is in charge of the appointment and removal of judges and prosecutors in district and appeals courts. Specialized inspectors investigate

allegations of misconduct of judges and the High Council of Justice then takes the relevant disciplinary measures.

Despite legislation and governmental structures designed to fight corruption, a culture of impunity is widespread and deeply rooted in Albania. Ordinary citizens and foreign investors alike can point to the judiciary, uneven enforcement of laws and property rights, the opaque regulatory environment, and government procurement as indicators of endemic corruption. Although the number of corruption cases investigated is rising, conviction rates remain low. Furthermore, high-level corruption cases of politicians or well-connected business leaders very rarely end in conviction. Perception of corruption continues to be high and Albania ranked 110th (last in Europe) out of 174 countries in the 2014 Transparency International Corruption Perception Index.

Transparency International Albania is the main international non-governmental watchdog organization in Albania. Other NGOs perform watchdog functions regarding corruption, but the role of civil society in denouncing corruption is weak.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The government has ratified several corruption-related international treaties and conventions and is a member of major international organizations and programs dealing with corruption and/or organized crime. Albania has ratified the Civil Law Convention on Corruption (Council of Europe), the Criminal Law Convention on Corruption (Council of Europe), the Additional Protocol to Criminal Law Convention on Corruption (Council of Europe), and the United Nations Convention against Corruption (UNCAC). Albania also has ratified a number of key conventions in the broader field of economic crime, including the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (2001) and Convention on Cybercrime (2002). Albania has been a member of the Group of States against Corruption (GRECO) since the ratification of the Criminal Law Convention on Corruption in 2001 and also is a member of the Stability Pact Anti-Corruption Network (SPAI). Albania is not a member of the OECD convention on Combating Bribery of Foreign Public Officials in international Business Transactions.

Resources to Report Corruption

Resources to report corruption
Government online portal to denounce corruption
www.stopkorrupsionit.al

Transparency International
Address:
Bulevardi “Gjergj Fishta”,
Projekt 2000, Kulla 5, Ap. 6,
Tirana, Albania
Email: leginet@albaniaonline.net; info@alac.al
Tel: + 355 (0) 4 226 7457

14. Bilateral Investment Agreements

The United States and Albania signed a bilateral investment treaty in 1995, which entered into force in January 1998. This treaty ensures that U.S. investors receive national or most-favored-nation treatment and provides for dispute settlement. There is no free trade agreement or bilateral taxation treaty between the two countries.

As of December 2014, Albania has concluded bilateral investment treaties with the following countries: Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Islamic Republic of Iran, Israel, Italy, Kosovo, Kuwait, Lithuania, Macedonia, Malta, Malaysia, Moldova, Netherlands, Poland, Portugal, Republic of Korea, Qatar, Romania, Russia, San Marino, Serbia, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, and the USA.

As of December 2014, Albania has signed treaties for the avoidance of double taxation with the following countries: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Egypt, Estonia, France, Germany, Great Britain, Greece, Hungary, India, Ireland, Italy, Korea, Kosovo, Kuwait, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Qatar, Romania, Russia, Serbia, Singapore, Slovenia, Sweden, Switzerland, Turkey, and United Arab Emirates.

Albania has signed also free trade agreements with the EU, CEFTA countries (Macedonia, Montenegro, Croatia, Serbia, Bosnia and Herzegovina, Kosovo, and Moldova), EFTA countries (Switzerland, Liechtenstein, Norway, and Iceland), and Turkey.

Bilateral Taxation Treaties

Albania does not have a bilateral taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) signed an agreement with Albania in 1991. Albania also has ratified the World Bank's Multilateral Investment Guarantees Agency (MIGA) Convention. Both instruments provide investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors for qualified investments in developing member countries. MIGA's coverage is against the following risks: currency transfer restriction; expropriation; breach of contract; war; terrorism; civil disturbance; and non-honoring of sovereign financial obligations. MIGA and OPIC often cooperate on projects.

In 1998, OPIC supported the Southeast Europe Equity Investment Fund (SEEF I), which invested heavily in southeastern Europe. OPIC supported its successor, SEEF II, managed by Bedminster Capital. SEEF II has invested in the Albanian health and IT sectors.

For more information on OPIC please see www.opic.gov.

For more information on MIGA please see www.miga.org.

16. Labor

Pursuant to the Labor Code and the recently amended “Law on the Status of the Civil Employee,” both individual and collective employment contracts regulate labor relations between employees and management. Albania is a member of the International Labor Organization (ILO) since 1991 and has ratified 53 ILO international labor conventions, the entire set of fundamental and governance conventions as well as two protocols. The Albanian government has established the National Council of Labor, composed of government officials, trade unions, management, and employers’ associations, to improve social dialogue between stakeholders. The institutions governing the labor market include: Ministry of Welfare and Youth, Ministry of Innovation and Public Administration, National Employment Service, State Labor Inspectorate, and private actors such as employment agencies, and vocational training centers.

Albania has adopted a large variety of regulations to monitor labor abuses, but their enforcement remains weak due to persistent informality in the work force. Law 108/2013 dated March 28, 2013 On Foreigners and various decisions of the Council of Ministers regulate the employment regime in Albania. While there are no special treatments of labor in specific economic zones, the Law on Foreigners limits to 10 percent of the total the number of foreigners hired by employers in Albania.

Both employees and managers have the right to form trade unions. Trade unions are organized both at the national level (according to industrial sector) and at the company level. The Labor Code guarantees the right to strike as part of the right to negotiate wages and working conditions. However, economically driven strikes are very rare in Albania. Employment contracts are applicable both to union and non-union workers. The two main national-level trade unions, both affiliated with the International Trade Union Confederation (ITUC) are the Confederation of Trade Unions (KSSH) and the Union of the Independent Trade Unions of Albania (BSPSH). Despite claiming independence from politics, the latter is associated with opposition while the former with the current government. Employment contracts can be limited or for an unlimited period, but typically cover an unlimited period of duration if not specified in the contract. Labor code does differentiate between layoffs and firing but in general, employers are able to reduce staffing without facing extensive severance payments.

Albania has a labor force of about 1.3 million people. The official estimated unemployment rate in the last quarter of 2014 was 18 percent, but unemployment for people aged 15-29 was estimated at 34 percent. Approximately 42 percent of the population is self-employed in the agricultural sector. Almost 1.2 million Albanians have emigrated to Italy and Greece since 1991 and a majority of young Albanians speak English, Italian, or Greek as a second language. Other foreign language skills are common, as well. However, since the financial crisis in 2008 and the negative economic situation in neighboring Italy and Greece, it is estimated that about 200,000 Albanian expats have returned to Albania, further increasing pressure on social services, especially in smaller towns.

While some members of the labor force are highly skilled, many work in low-skill industries or have outdated skill sets. Albania has a tradition of a strong secondary educational system, while vocational schools are less prevalent. In 2013 only 17 percent of high school pupils were

enrolled in vocational schools. The new government has shifted its attention to the promotion of vocational education and in 2014 enrollment has increased by 40 percent. University education remains uneven and studying abroad remains the best option for qualified students. In 2014, the average salary in public administration was ALL 53,800 (USD 445) per month. Since July 2013, the minimum monthly wage applicable to both public administration and the private sectors is ALL 22,000 (USD 183), which still is among the lowest in the region.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Albania does not have any free trade zones or free ports, although the legislation exists to create them. The Law on the Establishment and Functioning of Economic Zones regulates the establishment of free trade zones and industrial parks near ports, airports, or at the crossroads of international transport. The Ministry of Economy proposes free trade zones, which are ratified by the Council of Ministers on a case-by-case basis. The Council of Ministers has the power to define the status of the zone (free zone or industrial park), area and boundaries, the economic activities to be performed within the zones, time constraints, the type of permission (lease, concession, etc.), and selection procedures for the developer. Industrial parks may be used for production, manufacturing, agro-processing, export-import, and supporting activities.

Following the approval of the Law on the Establishment and Functioning of Economic Zones in 2007, the government approved the construction of the following economic zones:

- Economic zone with the status of Industrial Park in Koplik, Shkoder.
- Economic zone with the status of Industrial Park in Shengjin, Lezhe.
- Economic zone with the status of Industrial Park in Spitalle.
- Economic zone with the status of Industrial Park in Vlora.
- Economic zone with the status of Industrial Park in Shkoder.
- Economic zone with the status of Industrial Park in Lezhe.
- Economic zone with the status of Industrial Park in Laknas, Tirana.
- Economic zone with the status of Free Zone in a territory in Vlora.
- Economic zone with the status of Industrial Park in Rrashbull, Durres.

However, none of these projects has moved beyond the licensing phase.

Recently, the GOA approved another free economic zone located in Spitalle, in the vicinity of the Durres port, the major port in Albania. The zone will be granted to a developer for 35 years with the symbolic price of 1 euro and will host manufacturing, agro processing, warehousing, services, and trading activities. The GOA is expected to open a tender shortly for the selection of the developer. Fiscal incentives are defined on a per case basis for the free economic zones and the government currently is in the process of approving legislation defining the fiscal incentives for the free economic zones.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	12,900	2013	12,900	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*	USG or international statistical source	USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other		
U.S. FDI in partner country (\$M USD, stock positions)	2013	69	2013	(2)	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	2013	Not available	2013	0	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	0	2013	0	

* Domestic Sources: Bank of Albania <http://www.bankofalbania.org/>
Albanian Institute of Statistics <http://www.instat.gov.al/>

Table 3: Sources and Destination of FDI

The data on Albania on the IMF website <http://cds.imf.org> are available only for inward investments for 2013. Data from IMF are compatible with data provided by Bank of Albania on FDI.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	3,929	100%	Total Outward	Not available	100%
Greece	1,473	38%			
Canada	1087	28%			
Austria	520	13%			
Netherlands	482	12%			
Turkey	384	10%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio investment data for Albania are unavailable.

19. Contact for More Information

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