

# Frequently Asked Questions

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Quality of Life



REPUBLIC OF ALBANIA  
MINISTRY OF ECONOMY

**ANIH**  
INVEST ALBANIA  
Albanian Foreign Investment Promotion Agency



# INVESTMENT CLIMATE

1. What is the political situation like? Is there stability? Do governments come and go? Do policies change when governments change?

The political situation is stabilized. The members of parliament are directly elected every 4 year. The two main parties, which are Socialist Party and Democratic Party, have programs that regarding the economic developments of the country basically look at the same direction in terms of policies and reforms regarding the foreign direct investments.

2. What is the current administration's attitude towards the following foreign investment/ foreigners?

The Albanian Foreign Investment Promotion Agency is established by the Government to help and give all the required information to the foreign investors. This shows the clear attitude of the Albanian government.

The most important law in the field of foreign investment is the Albanian Law on Foreign Investments (Law 7764, 2.11.1993). It aims to ensure a favorable investment climate for the foreign investor in Albania. The general principle of the law is treatment of foreign investors based on conditions not less favorable than those which apply to domestic investors in similar circumstances, excluding the ownership of land, which is regulated by a special law.

3. Is there much foreign investment? Who has already invested in your country? Who else is thinking of investing?

FDI flows to Albania were low until 2000, when they reached USD 143 million. These figures were mainly a result of a successful privatization process. FDI during 2001 is flowed (207 million) mainly from the privatization of AMC and Albkrom which is taken in concession by DARFO, Italian Company. In 2002 the value of FDI reached 166 million USD. Raiffaisen Bank is the most recent successful entry in the banking sector with 129 USD. Comparing with the region Albania has better statistics (FDI per capita for 2003) than FYR of Macedonia and Moldova. General Electric, Lohckeed Martin and Vodafone have already invest in Albania. The sources of FDI for 2001 were as follows: 48% from Italy, 42% from Greece and 2.2% from Macedonia and Turkey.

4. How well is the local private sectors treated, and is it consulted by the government in shaping of economic policies?

The government is committed to encourage the private sector. The private sectors' main representatives are present in the composition of the laws. The Council of Business Advisory is the entity which is

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composed by the representatives of the private sector and the representatives of the Ministry of Economy. These meetings are organized on regular basis and have been very effective recently.

Actually the government of Albania (Ministry of Economy and the Albanian Foreign Investment Promotion Agency) and FIAS (Foreign Investment Advisory Service) a World Bank Group member are collaborating in a project regarding the Reduction of the Administrative Barriers. This is a initiative in the framework of the creation of a better investment climate for the private sector.

#### 6. Do you have a double-taxation treaty?

The double-taxation treaties signed by Albania are

1. Treaty with Poland, in effect as from 1 January 1995
2. Treaty with Rumania, in effect as from 1 January 1995
3. Treaty with Malaysia, in effect as from 1 January 1995
4. Treaty with Hungary, in effect as of 1 January 1996
5. Treaty with Turkey, in effect as from 1 January 1997
6. Treaty with Czech Republic, in effect as from 1 January 1997
7. Treaty with Russian Federation, in effect as from 1 January 1998
8. Treaty with Macedonia (FYROM), in effect as from 1 January 1999
9. Treaty with Croatia, in effect as from 1 January 1999
10. Treaty with Italy, in effect as from 1 January 2000

11. Treaty with Bulgaria, in effect as from 1 January 2000
12. Treaty with Sweden, in effect as from 1 January 2000
13. Treaty with Norway, in effect as from 1 January 2000
14. Treaty with Greece, in effect as from 1 January 2001
15. Treaty with Malta, in effect as from 1 January 2001
16. Treaty with Switzerland, in effect as from 1 January 2001
17. Treaty with Moldova, in effect as from 1 January 2004

*Source: Ministry of Finance*

## INVESTOR' RIGHTS AND OBLIGATIONS

### 7. What corporate organization forms are possible?

The foreign investor has a numerous options available for organizing business in Albania. Law 7638, dated 19.11.1992, "On Commercial Companies", provides the legal framework to establish a business in Albania.

The business entities governed by this law are as follows:

Partnerships: 2 or more partners.

Characteristics: a general partnership is considered an entity distinct from its partners, who themselves may be individuals or legal entities.

Limited Liability Company: 2 or more shareholders. The capital is divided into equal shares with nominal value not less than Lek 100.000. The basic capital must be entirely subscribed by the shareholders and completely paid in.

Joint-stock Company: 2 or more shareholders .The minimum nominal value of shares is not less than 100 Lek. The capital must be subscribed completely. By registration at least 25% of the capital must be paid in.

Branches: Foreign companies may open branches which must be registered at the Commercial Register.

### 8. Can I own land/ real property? If so how are my property rights protected?

According to the Law "On the Acquisition of Land" No. 7980 dated 27.07.1995; foreign investors are entitled to lease land in state-owned areas. There are no restrictions on the acquisition or leasing of privately owned land.

Investors in Albania are entitled to judicial protection of the rights related to their investment. Foreign investors have the right to submit the dispute to an Albanian Court in Tirana.

### 9. Do you have any limitations on foreign investment entry?

There is no restriction regarding foreign investment entry. The foreign investors are treated equally as the local investor.

Savings Bank of Albania was sold to 100% to a well-known Austrian Bank "Raifeissen Bank". 2003 year was important for the enlargement of banking community with the opening of two new banks (both with domestic capital). These events will improve considerably the quantity and the quality of financial services offered nowadays on the banking sector, the enlargement of the financial products range offered and will raise the competition and the possibilities for the economy credit.



10. Do you have special requirements/limitations as far as foreign equity ownership is concerned? Do I need a local partner?

There are no limitations on the percentage share of foreign participation in companies; even 100% foreign ownership is possible in all areas.

11. Are there any requirements for notification, registration, approval or authorization of foreign investment? If so, how complicated are they? How long does it take from beginning to end? Do you have one-stop shop to help me comply with your procedures?

Foreign persons intending to invest in Albania do not need any permission or authorization to do so. There are some requirements, to be followed from foreign investments but they are not complicated. There are 11 procedures and the cost to start up a business are nearly 782 USD. It is relatively short-term registration procedures, (about 47 days).

For registration of a company the following documents are required:

- Request to the district court
- Articles of incorporation
- Constitutive act signed in the presence of a public notary
- Documents reflecting the capital disbursement

The articles the incorporation should contain:

- Name of the company
- Initial capital
- Seat of the company
- Administrators or directors of the company
- Objective of the company
- Duration of its activity

Activities requiring a business license

- Tourism
- Construction
- Fuel trading
- Pharmaceutical and medical product trading, etc

*The government has removed the non-food sector license.*

The Agency actually is operating as a "one-stop servicing" office, in which investors can find the necessary information and assistance before, during and after the investment process.

## 12. Does your country allow free convertibility and repatriation of funds (capital, profits, royalties and fees)?

Foreign investments in Albania are fully protected by the law. Foreign investors have the right to expatriate profits and any article related to investment.

## 13. Can foreign investors access local credit and finance?

The banking system for 2003 year has gone through significant and important changes. The successful privatization of Savings Bank of Albania is one of them. Savings Bank of Albania was sold to 100% to a well-known Austrian Bank "Raifeissen Bank". 2003 year was important for the enlargement of banking community with the opening of two new banks (both with domestic capital). These events will improve considerably the quantity and the quality of financial services offered nowadays on the banking sector, the enlargement of the financial products range offered and will raise the competition and the possibilities for the economy credit.

*The Albanian banking system saves the same treatment to the foreign and the domestic clients.*

## 14. Are there any special incentives available for certain investments?

Legal incentives include:

- Equal treatment of foreign and domestic investors
- Full profit and dividend repatriation (after taxation)

- Funds from the liquidation of a company may be repatriated
- Bilateral agreements on the promotion and protection of reciprocal investments.
- Double taxation treaties.

### *Legislative facilities in Tourism*

Law "For development of the areas with tourist priorities".

- Exclusion from profit tax for five years; for the other five years will be paid 50% of the profit tax
- Exclusion from custom taxes of imported goods for the aim of investment implementation only
- Reduce of the profit tax at 40% for foreigner investors in case of re-investment of the profit

The Law "On Free Zones" No.8636 dated 06 July 2000 regulates the establishment of free zones and related matters.

### 15. Is there a set of the law applicable to foreign investors, in the main working languages of international business?

The set of law applicable to foreign investors does exist in English, Italian and Albanian. Most of the young population speaks English and Italian. Greek is widely spoken in south of Albania.

### 16. What is your trade regime like? Are there any conditions, restrictions or requirements concerning import and/ or export?

Albania's trade regime is liberal. There is a decision of the Council of Ministers that provides for an open export-import regime, except for hazardous goods.

Restricted goods include:

- Military or strategic materials
- Radioactive materials
- Psychotrone (drugs) material

*Note: See Double Taxation Treaties above  
Treaties signed but not yet in force*

1. Treaty with Belgium ratified by Albanian Parliament, April 2003
2. Treaty with France, ratified by Albanian Parliament, April 2003  
*Treaties Negotiated and parafied (initialed at technical level), but not yet signed by the Governments' authorized persons"*
3. Treaty with Egypt, parafied at Cairo on November 1998
4. Treaty with Netherlands, parafied at Hague on 14 December 2001
5. Treaty with Yugoslavia, parafied in Belgrade on 11 December 2002
6. Treaty with Iran, parafied in Teheran on 22 December 2002

Exports are not subject to any export taxes, fees or other barriers with a similar effect. Albanian imports are not subject to any import duty tax different from the customs duties.

## List of Banks operating in albania

No	Name of the bank	Year of opening	Number of employees	No. of branches	Bank's Network				
					Localities operating	No. of employees	No. of agencies	Localities operating	No. of employees
1.	NCB	1992	269	15	Tirane 1, Tirana 2, Tirana 3, Tirana 4, Durres, Elbasan, Shkoder, Korce, Vlore, Lushnje, Gjirokaster, Fier, Berat, Pogradec, Sarande	173	1	Durres	2
2.	SB	1992	950	14	Tirane, Fier, Durres, Elbasan, Vlore, Lushnje, Berat, Korce, Gjirokaster, Sarande, Lezhe, Shkoder, Kukes, Burrel.		83		
3.	IAB	July 1993	68				3	Tirane, Durres, Vlore	37
4.	UBA	July 1994	55	2	Shkoder, Fier	20			
5.	DB	January 1994	12						
6.	TB	September 1996	173	12	Tirane, Tirana no.1, Tirana no.2, Tirana no.3, Tirana no.4, Durres, Fier, Gjirokaster, Korce, Vlore, Shkoder, Elbasan.	116	2	Kakavije, Kapshtice	2

NCB – National Commercial Bank  
 TB – Tirana Bank  
 RB – Raiffeisen Bank  
 BG – National Bank of Greece  
 CBA – Credit Bank of Albania  
 AB – Alpha Bank  
 IAB – Italian-Albanian Bank  
 ABA – American Bank of Albania

CB – Credins Bank  
 UBA – United Bank of Albania  
 PB - Procredit Bank  
 DB - Dardania Bank  
 FIB – First Investment Bank  
 ICB – International Commercial Bank  
 CBG – Commercial Bank of Greece  
 PB - Popular Bank

7.	NBG	November 1996	68					4	Durrës, Korce, Tirane, Tirane	35
8.	ICB	May 1997	36	1	Branch nr.1, Tirane	3				
9.	AB	January 1998	61	7	Tirane, Durrës, Elbasan, Gjirokastrë, Berat, Fier, Vlore	31				
10.	ABA	September 1998	193	4	Durrës, Elbasan, Vlore, Fier	54				
11.	ProCredit	March 1999	258	12	Tirane e Re, Tirane Pazar, Tirane Piazza, Durrës, Fier, Elbasan, Korce, Shkoder, Vlore, Lezhe, Pogradec, Berat	198				
12.	FIB	May 1999	14							
13.	CBG	November 1999	42							
14.	CBA	February 2003	14							
15.	CB	April 2003	23					1	Tirane	9
16.	PB	February 2004		5	Tirana 1, Tirana 2, Kavaja, Saranda, Bllisht					

Albania was granted membership to World Trade Organization in September 2000. Consequently, the country's trade policies are now anchored by the regulation system of global trade which makes these policies more transparent and credible. In the context of membership our country has undertaken a commitment to apply a maximum tariff no more than 20 percent, while undertaking sectorial initiatives regarding gradual trade liberalization as well.

17. Is there a regime in your country for the protection of industrial and intellectual property rights (e.g. patents, trade marks)?

According to the article 16 of Law Nr. 7491, dated 29. 04. 1991 "For main constitutional provision ", due to the proposal of the Council of Ministers, the law for the protection of industrial property and the intellectual property rights has been already approved. Several laws have been passed to protect industrial and intellectual property (Copyright Office).

18. Are there any conditions or requirements regarding the use of foreign personnel?

Persons who are not Albanian citizens and wish to work in Albania for three months need a work permit issued by the Ministry of Labor and Social Affairs. Eight different types of work permit are issued to foreigners who work in Albania.

19. Do you have a minimum wage policy or restricted labor regulations? Are worker disputes or strikes common? What is the strength of the trade union movement?

The minimum monthly base wage is 11,376 leks (\$1 = 101 leks) according to the Decision of Council of Ministers Nr 446, dated 26.06.2003. The constitution guarantees the right of employees to establish trade unions. Currently, there are two main trade unions: The Union of Independent Trade Unions and Trade Unions and the Confederation of Trade Unions.

## ADMINISTRATION OF GOVERNMENT, THE JUSTICE SYSTEM AND THE GENERAL LEGAL FRAMEWORK

20. How efficient is the bureaucracy? Is there any corruption? How does the justice and court system work? Is it efficient and independent?

The bureaucracy is not very efficient and we do have problems with corruption, but the present governmental agenda is quite challenging,

having as its main targets the tackling of basic development problems, and in particular, capacity building by strengthening the existing institutions, law enforcement and fighting widespread corruption.

#### 21. Does your country allow recourse to international arbitration?

In the event of a dispute regarding discrimination, transfer of assets, or direct expropriation of foreign investment by the Albanian Government, the investor may submit the dispute to the International Center for Investment Disputes.

Albania is in process of acceding to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the European Convention on International Commercial Arbitration.

#### 22. Does your country guarantee foreign investors against nationalization and expropriation?

Foreign investments are protected from expropriation, nationalization and other similar actions. The expropriation or limitation of a property right according to article 41 of the Constitution is provided only for the public interest and against a fair compensation. There has been no instance of expropriation in Albania.

## KEY BUSINESS SUPPORT SERVICES AND INFRASTRUCTURE

#### 23. What international banks do you have?

The commercial banking system comprises 15 private banks. Saving Banks is the last bank privatized by Raiffeisen Bank (Austrian Bank) by 129 million USD. With this last privatization the banking sector is one of the first sectors fully privatized and is foreign investor owned.

#### 24. What international accounting firms do you have?

There are two main international accounting firms which actually are operating in Albania: KPMG, Deloitte & Touche.

#### 25. What international insurance companies do you have?

To provide security and protection against losses arising from political risks, thereby providing confidence to potential exporters and investors in Albania, the International Development Agency of the World Bank has approved under its Albanian Guarantee Agency Project a credit to the Albanian Government. Albania is a member of MIGA (Multilateral Investment Guarantee Agency), World Bank Group. INSIG, which is also one of the main insurance company in Albania. This state-owned

company's legal framework is ready for privatization. 39.9 % of it has been already sold to EBRD (European Bank for Reconstruction and Development).

26. Do you have a stock exchange/ equity market?

We have a stock exchange which is under the jurisdiction of Bank of Albania.

27. Do you have any seaports? If so, do they handle container cargoes?

There are five ports open for the international traffic, which are: Durresi, Vlora, Saranda, Shengjini, and Himara. The most important ports are Durresi which has ferry facilities, and Vlora, a naval and ferry port.

In the Durresi Port are transported 65% of commodities, import and export, passengers and vehicles. Durresi is the main gateway of 8<sup>th</sup> Corridor. The government has approved master plan for the development of the Port of Durres, a key project in the framework of the Stability Pact under the Near-Term program. Financing is being provided by the World Bank, EU through the Phare program and European Bank of Investments, to improve the efficiency and capacity of the port with a fund which has achieved the level of 50 million USD since the year 1998.

Under this project, the Durres Port Authority has been established as a joint stock company and has started operating under a Supervisory Board. The main donors are: the OPEC Fund for International Development of 5 million USD, the Albanian Government of 1 million USD, the World Bank (International Development Agency) of 17 million USD, and the Kuwait Fund. The Durres Industrial Park that EBRD has been promoting for some time is planned to be built just outside Durres. A project financed by EIB of 17 million USD for the infrastructure rehabilitation of the Port of Durres is in the way of completion.

The main components of this project have been the establishment of an autonomous port, the privatization of all of its activities, the improvement of custom procedures, the insurance and rehabilitation in port etc.

The visibility study for the ferries terminal construction of 700.000 EURO. The second port is Vlora, which is a strategic point for the future development of maritime industry. In this port were invested 16 million EURO. 15, 3 million USD of this financing was engaged by Italian Cooperation. About 530.000 USD for a visibility study for integrated infrastructure and economic development of this port

Saranda has a passenger and light freight service to Italy and Greece. There have been financings for the ports of Saranda and Shengjini with government funds and with own financing of these ports based on the master plans as secondary ports.

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28. What air links do you have and which international airlines fly to your country?

Tirana's Rinas airport or recently named Mother Tereza is undergoing modernization and is 25 minutes drive from Tirana. Foreign airlines already operating scheduled services include Adria (Croatia), Alitalia (Italia), Austrian Airlines (Austria), Malev (Hungaria), Hemus Air (Bulgaria), Olympic Airlines (Greece), and Turkish Airlines (Turkey). A new airport is under construction in Kukes, in north of Albania, which will drastically shorten the distances from Tirana and other parts of the country.

29. What are the telecommunications services like?

Telecommunication service is supplied from Albtelecom, which is the only company for the moment in the country providing fixed telephony services. Recently Eagle mobile is a branch of Albtelecom providing mobile t Albetelecom is one of the biggest state-owened company, which is Mobile Communication Services are offered by two distributors, Albanian Mobile Communication (AMC) and Vodafone, covering all the Albanian territory.

30. Do you have stable adequate power and water supply?

Actually, Albania was faced with different problems regarding power supply due to the increase of consumption from the population and

the private sector and from the poor condition of the network. The power supply corporation has undertaken many investments in most of critical areas of its assets.

Privatization will be an alternative to improve their situation aiming at lowering the exploitation costs and increasing the work efficiency and creating more possibilities for capital investments, and at the same time improving the service level.

Recently, the water-supply enterprises of Elbasan has been privatized through a concession contract. The water supply and sewage enterprises of Sarande, Durres, Lezhe, Fier and Kavaje are in the process of being privatized through a management contract. During 2003, privatization of the water-suppliers of Berat and Korce will be realized through concessionaire contract.

### 31. Do you have a developed road network and inland transportation facilities?

#### Road

There are about 18.000 km of road in Albania of which 7.450 km are consider as main roads. They are maintained by the State and standard international rules and road signs are applied. New highways are being built and the quality of the road is getting better.

Albanian road network is in continuing progress.

Road vehicles in 2003 are increased in 263.901 and the private cars in 174.782. The country has gained an importance as a transit route. The government has given priority to the main east-west and north-south routes, which are being upgraded within an EU-sponsored program in cooperation with other international donors, more recently under the auspices of the Stability Pact for south-eastern Europe, which is giving priority to road rehabilitation under the "Quick Start" and Near-Term Program.

Total funding from the various donors under the Stability Pact for transport development amounts to US\$ 204 million for 12 projects, covering roads and also the development of the Durres port. The government of Albania has given the priority to the main National Roads Corridor, North-south and East-west (which is part of 8<sup>th</sup> Pan Corridor), which are upgraded with EU funds in cooperation with other donors, such as EIB, WB, EBRD, Italian government etc.

#### Railway

Albania has 447-kilometre railway network. The government is giving priority to the reconstruction and modernization of the main north-south and east-west routes. Italy is contributing to the modernization of Tirana-Durres route with commodity aid of US\$ 7,5 million USD. Initially, is projected to modernize this route with a new line which would link Tirana and Durresi with "Nene Tereza" aero port by the

American Company “General Electric Transportation Systems” with a fund of 80 million EURO.

With priority is the renovation of other lines run from Durres to Pogradec, with a new extension to the FYR Macedonian border with a fund of 200 million Euros.

The Greek government in a long term has been considering financing a railway line from Pogradec to the port of Thessalonica, which would provide an important outlet for central Albania’s mines. In January 2000 the Japanese government donated US\$ 1.9 million towards Albanian railway rehabilitation.

Has been accomplished a pre visibility study for the construction of railway route which could link Albania with Kosovo.

## ECONOMIC CONDITIONS

### 32. What is the foreign exchange rate? Is it fixed or pegged to the dollar or the major currency?

Albania’s official currency is Lek (ALL). Monetary policy is under the control of the Bank of Albania .

During 2003 year, in the internal currency market dominated the overvaluation trends of Albanian currency (lek). Comparing with the end of 2002 year, the lek in the end of 2003 was over evaluated of 20.85% against USD currency and of 3.60% against the EU currency.

The average foreign exchange rate for 2003 is 1\$=110.4 1€=130 Lek

### 33. What are the level and the structure of taxation?

The Tax System in Albania consists of the following taxes and duties:

#### I. National Taxes:

1. Personal income tax,
2. The Value Added Tax (VAT)
3. The Excise Tax
4. Other Taxes and Fees
5. Customs Duties
6. Social Security Taxes
7. Tax Treaties

#### II. Local Taxes

8. The Local tax on small business
9. The Property Tax
10. The Hotel Tax
11. New Buildings or construction tax
12. The tax on alienation of immovable properties
13. Motor vehicle tax
14. Other local taxes and tariffs

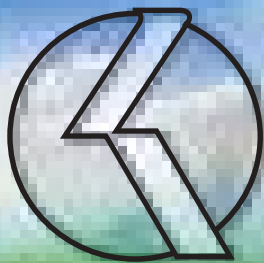
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