



## **Doing Business in Albania: 2013 Country Commercial Guide for U.S. Companies**

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## Chapter 1: Doing Business in Albania

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### Market Overview

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Following the collapse of communism in 1992, Albania continues to make strides in its transition from a closed, centrally planned economy to a modern, open-market economy. The country is pursuing aggressively its Euro-Atlantic integration agenda. In 2000, Albania became a World Trade Organization (WTO) member and in June 2006, the Albanian Government signed the Stabilization and Association Agreement (SAA) with the European Union (EU), the first step towards the EU accession process. In April 2009, Albania became a North Atlantic Treaty Organization (NATO) member country and at the same time, submitted its application for EU membership, both considered major milestones in the country's history.

A small country with a population of 2.83 million people (2011 census) and a landmass approximately the size of Maryland, Albania's economy posted strong growth in the 2000s, with an average annual growth rate of 6% from 2000 to 2008. Albania was largely spared from the severe fallout of the 2008 financial crisis since its economy was not heavily integrated into the Euro-Atlantic system. Nonetheless, the prolonged European crises coupled with a challenging fiscal and budgetary environment, and structural problems of the local economy, has caused the economic output to slow since 2009, with 2012 and 2013 being considered as the most difficult years. Growth in 2012 was estimated to have declined to 1.5% from 3.1% in 2011, while 3.1% GOA's projection for 2013 is considered optimistic. In contrast to the GOA's financial statistics, International Financial Institutions (IFIs) have lowered forecasts for the country's Gross Domestic Product (GDP) for both 2012 and 2013. The IMF estimates growth for 2012 to have been a mere 0.5% and for 2013 only 1.7%. The IMF decision to downgrade growth follows three consecutive years where tax revenues did not meet anticipated targets and resulted in large mid-year cuts for public expenditures. The GOA has little room to promote growth through expansionary fiscal policies as at the end of 2012 public debt to GDP ratio surpassed the 60% statutory limit prescribed by the IMF and other IFIs and is estimated to reach 63.8% by the end of 2013

There are additional uncertainties with the financial crises in neighboring Italy and Greece potentially affecting an estimated one million Albanian emigrants who live and work in those countries to support their families in Albania. The remittances from the nearly one million Albanians living in neighboring Greece and Italy that have been a major source of income and consumer spending in the economy have continued their steady decline that began in 2008. In 2012, remittances fell by 33 % compared to their

peak in 2007. Their share of GDP also suffered a corresponding decline from a range of 12-15% to 7% in 2012. In addition, Greece and Italy are amongst the largest source countries of Foreign Direct Investment (FDI) in Albania and trade with both countries account for 45.5% of total trade volume.

In 2012, GDP is estimated to have reached US\$ 12.3 billion, with GDP per capita totaling US\$ 4,330. The per capita number, which has shown a steady increase over the last decade, still remains one of the lowest in Europe, however fails to fully take into account - income from large informal market activities. Inflation in 2012 averaged 2%. The official unemployment rate during 2012 rose to 13.4% from 13.31% in 2011 and domestic labor costs remain among the lowest in Europe. Unofficial unemployment is considered to be higher than the official numbers, as the statistics overcount people, especially those living in rural areas, as self-employed in the agriculture sector. In 2012, the Albanian lek depreciated against the dollar by approximately 7% and appreciated marginally against the euro.

The banking sector in Albania remains viable, profitable, and well capitalized; however increasing rates of nonperforming loans raises concerns. For the most part, Albanian banks have been spared from the global financial crisis due to the low rate of loans to deposits and a lack of a domestic housing bubble. The sector is fully privatized and consists of 16 banks, mostly subsidiaries of major European banks. The sector has recovered quickly from the sharp decline of deposits due to the financial crises of 2008. In February 2013, total deposits reached almost US\$ 1 billion, while loans totaled US\$ 570 million. After years of fast growth, lending slowed in 2012 as banks tightened lending standards due to the economic slowdown and the rise of nonperforming loans. In February 2013, nonperforming loans reached an all time high 23.6% of all private loans compared to 18.7% in December 2011 and to just 4.3% before the financial crisis of 2008.

According to official statistics, Albania's Foreign Direct Investment (FDI) increased significantly over the last five years, averaging US\$1 billion each year from 2008 to 2012. Bank of Albania reported for the first time in 2012 the stock FDI starting from 2007 onward. According to the new format, stock FDI in 2007 amounted to US\$ 2.5 and by the end of 2011, it reached US\$ 4.17 billion. Canada heads the list for FDI in Albania, with 18.6% of the stock FDI, followed by Greece with 17%, Austria 15.5%, Italy 12.2%, Turkey with 9.3%, and Netherlands with 8.2%.

Major sectors recipients of FDI are: financial intermediation with 23%; extracting industry with 20.7%; processing industry with 15.6%; telecommunication and IT with 12.9%; and generation and distribution of electricity with 6.6%.

The Albanian economy has four main sectors. The service sector is the largest and comprises 57.8% of GDP, followed by agriculture at 19.5% of GDP, construction at 10.7% of GDP, and industry at 12% of GDP (2011 data.) The economy remains characterized by a narrow base of exports, a wide base of imports, and low competitiveness. The agriculture sector, which makes up nearly 20% of GDP, employs half of the country's workforce, and is primarily comprised of small family operations working on a subsistence level. The sector suffers from outdated agricultural equipment, unclear property rights, and the prevalence of small, inefficient plots of land. Light and heavy industry are also underdeveloped and limited to the extraction and export of unprocessed raw materials.

*Trade:* Albania suffers from a large trade deficit which in absolute value has remained unchanged since 2008, despite significant increases in exports and an improved coverage ratio of exports to imports. Total imports in 2012 amounted to US\$ 4.86 billion and exports were US\$ 1.97 billion. The European Union (EU) remains Albania's main trading partner and provides 62% of the country's imports and 75.5% of Albania's exports. According to 2012 trade figures, Albania's main importing partners in decreasing order are Italy, Greece, China, Germany, and Turkey. Exporting partners are Italy, Spain, Kosovo, Turkey, and Greece.

Albania's trade with the U.S. remains insignificant and comprises approximately 1% of the country's trade volume. Agricultural products, ferroalloys, footwear, and textiles serve as the main exports to the U.S. while meat, transportation equipment, and computer and electronic equipment comprise the majority of imports.

Albania has a free trade agreement (FTA) with Turkey and is a signatory to the Central European Free Trade Agreement (CEFTA), which includes the eight countries of Albania, Macedonia, Montenegro, Kosovo, Moldova, Croatia, Serbia, and Bosnia and Herzegovina. Albania also enjoys important trade benefits with EU members since it signed and ratified the Stabilization and Association Agreement (SAA). In June 2009, Albania also signed an FTA with the European Free Trade Association (EFTA). EFTA member states include Iceland, Liechtenstein, Norway, and Switzerland. The agreement with Liechtenstein and Switzerland entered into force in November 2010 and the agreement entered into force with Iceland and Norway in 2011.

Overall, Albanian market is a developing market and Government of Albania's (GOA) main task at present is to maintain positive economic growth rates while combating both regional contagion and a challenging fiscal and budgetary environment.

## Market Challenges

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Every sector in Albania is open to foreign investors and there are no legal barriers to market entry. The government has made significant reforms to make foreign investment more attractive. Improvements in administrative procedures such as business registration, licensing, e-procurement, e-taxes, and the reduction and simplification of taxes are examples. Nonetheless, major challenges remain:

**Corruption:** Corruption is considered pervasive in Albania. This subject is discussed in depth in Chapter 6.

**Weak judicial system:** While significant reforms of the judicial system are underway, the courts are slow, inefficient, and subject to political pressure and corruption. Enforcement of court decisions can also be challenging.

**Property issues:** The official register of real estate property titles is incomplete and poorly maintained. Multiple claims on the same property are common place and significant legislative and legal gaps in the restitution and compensation process remain. An ongoing reform process is addressing this issue but there is still much to be done.

**Lack of proper infrastructure:** Despite major improvements in infrastructure in recent years, the country's physical infrastructure is still developing and needs further investment.

**Reference or market prices:** The application of so-called “reference or market prices” by the customs authorities for calculating custom taxes (including value added tax - VAT) remains a concern for businesses and foreign investors. “Market prices” are supposedly used to combat fiscal evasion, but businesses allege these rates are artificially high. Additionally, market prices are also reportedly used by the tax department when auditing companies.

**Frequent changes of legislation:** One of the major challenges reported by the business community is the frequent changes of legislation and also lack of proper consultations with the business community.

## Market Opportunities

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Despite its small size and population, Albania offers opportunities for trade and investment in a variety of sectors, including the consulting and service sectors. The GOA employs consulting services on many large scale projects, including the privatization of large state-owned firms. Although many major privatizations have been completed, several opportunities remain in the oil, power generation, insurance, and real estate sectors. Chapter 4 of this guide spells out in detail some of the sectors that may offer the best opportunities for trade and investment.

Albania is rich in natural resources such as oil, gas, copper, chrome, iron and nickel and coal. Higher world prices and renewed interest from private companies are creating business opportunities in oil sector related fields such as equipment, services and financing. The country’s geographic location also allows for considerable water/hydroelectric and wind potential. The Law on Concessions passed in December 2006 has enabled the GOA to offer concession contracts in the hydroelectric, wind generation, and mining sectors. The GOA has also entered into Production Sharing Agreements (PSA) with several partners in the oil sector. Significant investment has also been made in the cement processing industry. All of these sectors represent potential opportunities for business as they all require equipment, machinery, and financing.

The telecommunications sector has experienced spectacular growth in the last five years. Four mobile companies operate in the market and have made significant investments in developing the country’s telecom infrastructure. Three out of four operators were issued Third Generation (3G) licenses during 2010-2012 which further boosted the market. In addition, another license to develop a wireless broadband national network is underway. Outside mobile telephony, broadband services are developing; although these still remain underdeveloped even by the low standards of the region. The transfer from analogue broadcasting to digital broadcasting in two years will also bring business opportunities. Overall, the on-going liberalization and expansion of the sector continues to fuel the demand for physical facilities and equipment. In addition, GOA reforms that introduced e-services in many sectors represent good opportunities for U.S. companies to provide both services and equipment.

Public investment in road infrastructure has increased considerably and the GOA has allocated most of its capital spending on road projects in recent years. An austere budget climate resulted in lower capital spending in 2012 in absolute terms when compared to 2011 and the situation remains difficult for 2013. Nonetheless, investment opportunities may exist in roads, water supply, and waste treatment, as well as port

infrastructure and terminals projects. Another investment opportunity may be the possible construction of a second airport in the southern part of the country in the future. The GOA's transportation sector policy has emphasized the privatization and commercialization of road, maritime, railway, and civil aviation services.

Most of the large-scale privatizations of state-owned companies were completed by 2009. The last in the series of large privatizations in Albania was the privatization of four small hydro power plants, which was finalized in May 2013. The few remaining opportunities for privatization include: state-owned oil extraction company Albpetrol, insurer INSIG, the remaining state-owned shares of recently privatized oil refiner ARMO (less than 15% state-owned shares), telecom operator Albtelekom (16.7% state-owned shares). Other privatizations include the GOA owned real estate.

There have been positive developments in both the public and private parts of the health sector. The health sector needs improvement of the physical infrastructure, including modern equipment. The private health sector is also expanding. Overall, health sector offers investment opportunities for companies capable of providing healthcare equipment and pharmaceuticals.

Agro-processing is another sector with potential opportunities as there is strong demand for packaging and distribution facilities, refrigeration and storage capacity, and quality control in this sector. Given Albanian agriculture's low level of mechanization, companies capable of providing machinery may also have a market for their products.

Tourism has the potential to play a leading role in Albania's economic development. The tourism sector represents one of the most important sources of revenue for the economy. The country's geographical location, seasonal climate, and combination of archaeological, historical, and religious sites can be harnessed to develop a highly attractive tourism industry. The GOA's offering several concessions to build a tourism infrastructure such as marinas and resorts along the country's coastline represents another opportunity for trade in goods and services; although since the approval of the first project in 2005, none of these large projects has materialized.

## **Market Entry Strategy**

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Before entering the local market, companies should consider having an agent and/or local distributor. Agents can be found by contacting the U.S. Embassy's Economic and Commercial Section, the American Chamber of Commerce in Albania, local chambers of commerce and industry, Albanian Investment Development Agency (previously known as Albinvest -- a government agency that promotes business opportunities in Albania), law firms, consulting companies, and other business organizations. After the sales service, training and follow-up are also essential.

Another factor to consider when drafting the market entry strategy for Albania is the price sensitive nature of the majority of consumers.

It is recommended that companies interested in investing here visit the country. This is most important for companies in the high-tech, telecommunications, and service sectors. Most companies that come to Albania give detailed presentations and provide



## COUNTRY FACT SHEET: ALBANIA

### PROFILE

Population in 2011 (Millions): 3

Capital: Tirana

Government: Republic

### ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	12.2	11.9	13.0
Nominal GDP Per Capita (Current \$US)	3,809	3,705	4,020
Real GDP Growth Rate (% change)	3.3	3.5	3.0
Real GDP Growth Rate Per Capita (% change)	2.9	3.0	2.5
Consumer Prices (% change)	2.2	3.6	3.4
Unemployment (% of labor force)	13.6	13.6	13.3

Economic Mix in 2011: 19.4% All Industries; 19.4% Manufactures; 60.6% Services; 20% Agriculture

### FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Albania Exports to World	1,088	1,550	1,948
Albania Imports from World	4,548	4,603	5,396
U.S. Exports to Albania	48.0	46.4	47.5
U.S. Imports from Albania	15.0	30.3	26.4
U.S. Trade Balance with Albania	33.0	16.1	21.1

#### Position in U.S. Trade:

Rank of Albania in U.S. Exports	164	165	171
Rank of Albania in U.S. Imports	155	145	152
Albania Share (%) of U.S. Exports	0	0	0
Albania Share (%) of U.S. Imports	0	0	0

#### Principal U.S. Exports to Albania in 2011:

1. Food & Kindred Products (44.2%)
2. Transportation Equipment (21.1%)
3. Computer & Electronic Products (13.9%)
4. Machinery, Except Electrical (4.5%)
5. Chemicals (2.7%)

#### Principal U.S. Imports from Albania in 2011:

1. Primary Metal Mfg (49.7%)
2. Agricultural Products (22.6%)
3. Apparel & Accessories (9.3%)
4. Food & Kindred Products (6.5%)
5. Leather & Allied Products (4.6%)

### FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Albania (US \$Millions)	2.0	2.0	2.0
FDI in U.S. by Albania (US \$Millions)			

### DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 85 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 57 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Albania Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

demonstrations of their products and/or services. For consumer goods, however, companies may work solely through agents or local distributors.

<http://www.aida.gov.al>

<http://www.amcham.com.al>

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/index.htm>

<http://www.state.gov/r/pa/ei/bgn/3235.htm>

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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In order to conduct business effectively in Albania, it is essential for U.S. firms to select local sales partners. Collecting meaningful information and gaining access to markets can be difficult without local representatives who have the contacts and know-how to conduct business in this small, but complex market. Many foreign firms have found that it is more efficient and cost effective to hire a good local agent or distributor rather than conduct direct sales. U.S. companies seeking to market and distribute their goods will find a considerable number of merchants, agents, middlemen, wholesalers, and retailers available in Albania.

All the typical distribution channels are available in Albania, although they often lack the sophistication of distribution networks found in western markets. Directly contacting potential agents or distributors from a list sometimes works, but is not recommended as it is difficult to evaluate a prospective business partner from long-distance, without an introduction or a third-party evaluation.

Before choosing a local partner, we highly advise U.S. exporters to consider the reputation and financial references of the local potential partner and to find out if the local partner represents any competing products, and their experience in the market. Also, after the sale service as well as qualified personnel capable of handling maintenance is one of the most important components and should be considered thoroughly before entering the market. Often funds for product marketing need to be provided by the U.S. companies in order to ensure wide promotion and distribution of goods. Once contacts have been established and initial investigation performed, it is advisable for the U.S. companies to visit the country for a final evaluation.

Since liquidity is currently an issue of concern in the domestic economy, it is highly recommended that U.S. companies ask for a confirmed letter-of-credit when conducting business with a new local partner. To gauge the creditworthiness of potential partners, a U.S. company may consider asking the local partner to provide a creditworthiness report issued by the Credit Registry of the Central Bank of Albania or asking the local company to grant a power of attorney to the U.S. company to directly query the Credit Registry for a report.

The following consulting offices, law firms, and other professional organizations may also be helpful in determining the credibility of a potential business partner:

<http://www.kalo-attorneys.com>  
<http://www.bogalaw.com>  
<http://www.wolftheiss.com>  
<http://www.hmh-al.net>  
<http://www.tonucci.it>  
<http://www.zkt-lawfirm.com>  
<http://www.pbm.al/>  
<http://www.deloitte.com>  
<http://www.kpmg.com>  
<http://www.ey.com>

The American Chamber of Commerce in Albania is an excellent resource for finding a potential partner. The chamber has approximately 300 members interested in conducting business with U.S. companies.

<http://www.amcham.com.al/>

The Commercial Section of the U.S. Embassy can provide a series of complimentary and fee based business facilitation services to facilitate the entrance of U.S. companies in the Albanian market. For more details please contact:

Ms. Edi Jacellari  
Commercial Assistant  
United States Embassy Tirana  
E-mail: [Jacellarie@state.gov](mailto:Jacellarie@state.gov)

## **Establishing an Office**

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Albanian law recognizes a variety of legal forms for businesses entities. Because these business entities vary from each other in terms of their legal responsibilities, the list of documents required for their initial registration also varies. Registration procedures for businesses have been streamlined due to the establishment of the National Registration Center for Businesses (NRC) or "One Stop Shop" which became operational in September 2007. For more information on how to register an office in Albania and where to get assistance, please visit the National Center for Business Registration at: <http://www.qkr.gov.al>

The Law on Entrepreneurs and Commercial Companies of April 2008 is the main legal statute that governs the activities of companies and establishes the type of legal

structure under which companies may operate. This law conforms Albanian legislation with the EU's *acquis communautaire*. The legal types of business entities that can be registered with the NRC are as follows:

Sole Entrepreneur  
Unlimited Partnership  
Limited Partnership  
Limited Liability Company (Shpk)  
Joint Stock Company  
Branches and Representative Offices  
Joint Ventures

### **Sole Entrepreneur**

The Sole Entrepreneur trades under his own name and such trade must be registered as a business name. Individuals interested in establishing this type of business should file an application and an identification document with the NRC in the district where the business will be conducted. The application form includes identification data, address, type of business and an exemplar of the sole proprietor's signature.

### **Unlimited Partnership**

All partners are unlimitedly and jointly liable for the debts of the entity. Creditors can claim against a partner for the debts of the partnership, only if they have failed in their claims against the partnership as a whole. In unlimited partnerships, the partners are all considered administrators of the partnership, unless the contrary is stipulated in the bylaws. Each partner represents the partnership with third parties. An unlimited partnership should issue annual financial reports. The rights, duties and obligations of partners are governed by written bylaws, which should be filed with the National Registration Center

### **Limited Partnership**

A limited partnership, which is seldom used in practice, consists of one or more general partners (unlimited) with unlimited liability and one or more limited partners whose liability is limited to the amount of their agreed contributions of the initial capital. A limited partner may not take part in the management of the partnership, even if he is given a proxy, otherwise he incurs unlimited liability. The Articles of Incorporation of the limited partnership should contain:

The total amount or value of the contributions of all partners;  
The amount or value of the contribution made by each general or unlimited partner;  
The percentage of the participation of all general partners and of each limited partner in the partnership's profits and in the remaining value after its dissolution.  
All decisions are made in conformity with the Articles of Incorporation.

### **Limited Liability Company (Shpk)**

This is the most common form of conducting business in Albania. Its members enjoy limited liability and, unless the articles of the bylaws provide otherwise, members have the right to transfer their shares to other persons, upon decision of three fourths of the shareholders. It can be established by one or more partners, legal or natural persons, who are responsible for losses only to the extent of their contribution to the capital of the company. The minimum required capital for this form of company is approximately US\$1. The capital is divided into shares and there are no mandatory requirements for

their nominal value. The contributions to capital can be in cash or in any asset, tangible or intangible. The law does not permit contributions in services. Administrators nominated through the General Assembly of the shareholders manage the limited liability company. Extraordinary decisions, increases or decreases in the share capital, mergers and acquisitions are to be approved by at least three quarters of the capital shareholders. The law requires annual financial statements to be prepared by the company. The transformation of this form of business into unlimited and limited partnership is subject to decision of general assembly of the shareholders that takes valid decisions upon majority vote of  $\frac{3}{4}$  of shareholders and after approval of financial statements for the last two years.

### **Joint Stock Company**

Its capital is divided into shares, with shareholders held responsible for losses only to the extent of their contribution to the capital. The minimum initial capital required is lek 2 million (approx. US\$ 20,000) for companies with no public offering, and lek 10 million (approx. US\$ 100,000) for public offerings. The Commercial Law provides for the adoption by joint stock companies of a flexible administration system. This type of companies may choose to adopt either the "monistic" system (with a board of directors/administrators conducting both management and supervising functions) or the "dualistic" system (with board of directors/administrators and supervisory board conducting supervising functions). The supervisory council exercises control over the board of director's performance. This council should have not less than three and not more than 21 members. The capital is fully subscribed when the partners have promised to bring assets to the company in cash or in kind for an amount equaling the capital. At the moment of the subscription, at least one quarter of the nominal value of the shares representing contributions in cash must be paid. Payment of the remaining value shall be made in installments upon the decision of the management bodies of the company. Shares of contributions in kind must be fully paid in at the moment of subscribing. The law does not permit contributions in services. The shares of a joint stock company may be ordinary or privileged.

### **Branches and Representative Offices**

Under the Commercial Law, a foreign investor can also operate in Albania through a branch or representative office. The branch or representative office should be registered in the National Registration Center and should have a legal representative empowered by the head office to administer the office. For tax purposes, the branch is treated in the same manner as an Albanian entity.

### **Joint Ventures**

Albanian legislation recognizes joint ventures under the term of simple company, since it is based on an agreement only and no legal personality is granted to this partnership. Joint ventures are overseen by the provisions of the Civil Code (articles 1074 -1112) and may be concluded by two or more persons, whether individuals or legal entities, foreign or national, agreeing to engage in an economic activity in order to share profits deriving from it. There is no minimum capital requirement. Partners are liable to perform the contributions provided in the contract. Unless otherwise agreed, every partner may take part in the management of the partnership and has full power to carry out any acts which are within the scope of the partnership. Every partner is entitled to receive its share of the profits after the accounts have been approved, unless otherwise agreed. Partners are jointly responsible for fulfilling the obligations imposed upon them by law and by the partnership agreement; unless they prove they were not at fault.

Consultants recommend that parties interested in establishing an office in Albania consult/hire local attorneys to guide them through the business establishment process.

For detailed information please visit <http://www.qkr.gov.al>

## **Franchising**

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Franchising is a relatively new concept for the business community in Albania. Provisions on franchising have been introduced into the Civil Code. In general, no specific registration or government approval is required in order to establish a franchise enterprise. Current economic conditions could encourage the entry of international franchising. The combination of a weakly saturated Albanian market and a strong domestic demand for merchandise and services from developed countries would make Albania a promising destination for a range of franchised businesses. There is a strong franchising presence in a few sectors in Albania, such as Century 21 and Re-Max in the real estate sector, and Western Union and Money Gram in the money transfer sector. There is also strong market potential for franchises in the advertising, restaurant, catering, equipment, and apparel sectors.

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Direct marketing is not well developed in Albania. E-mail marketing is used but does not have great efficacy, because the low penetration of internet limits its appeal to a limited pool of people for a limited range of services and products. Facebook is widely used for direct marketing, especially by small businesses which have small marketing budgets. Direct calls or text (sms) are rarely used and are not efficient. Direct marketing by mail is far more common and households receive such mail on a daily basis. Offers usually come from local supermarket chains, stores, restaurants, and personal service providers.

Catalog and Internet shopping is in its early stages. Many online merchants do not ship to Albania and those that do, charge a high rate for shipping.

Albania is still a cash-based economy and has a low number of credit card holders. In order to promote the use of credit cards, local banks have just started to introduce special discounts of various consumer goods in partnership with other companies.

## **Joint Ventures/Licensing**

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Existing legislation permits joint ventures, mixed ownership investment, and both foreign and domestic investment. In the most common joint venture scheme, a foreign company provides capital, equipment, and merchandise, while the local company provides buildings, warehouses, office space, personnel, and channels of distribution. U.S. firms considering such ventures should carefully review the viability of potential domestic partners. Consultants recommend that parties interested in forming joint ventures hire local attorneys to guide them through the business establishment process.

## **Selling to the Government**

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Interested companies can visit the Public Procurement Agency's webpage at [www.app.gov.al](http://www.app.gov.al) to learn about government procurement opportunities. The implementation of e-procurement procedures in January 2009 has contributed to improved access to information, reduction of procedural costs for businesses, and a reduction in the overall level of corruption. However, businesses still complain that problems occur in the drafting of technical and financial criteria of contracts which result in biased and distorted competition. There are also problems with the proper implementation of public procurement procedures and the high number of appeals is a clear indication of these numerous infringements. In some cases, not all the tender documents are in English and the agency's website sometimes has intermittent technical problems. For large and complex projects, it is important to consider having a local representative/partner, who can assist in accessing tender information and managing participation in the tender.

Internationally financed public procurements are usually the most transparent. Tenders financed by the World Bank, European Bank for Reconstruction and Development (EBRD), and similar institutions must meet international standards for tenders.

## **Distribution and Sales Channels**

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U.S. companies seeking to enter the market and distribute their goods can find a considerable number of merchants, agents, middlemen, wholesalers, and retailers in Albania. Most distribution channels are in place and a number of large retailers have entered the Albanian market in the last year.

Private companies still dominate the retail industry and many shops carry Italian and Greek goods. Modern retail practices are quickly becoming the standard in major urban areas and several large shopping malls have opened in recent years. Carrefour, Conad, Euronics, and Pre-Alpina all have a significant presence in the market. There are also local retailers like Megatek (DIY), GoTech, Globe and Neptun (Electronics and appliances.) the first shopping mall QTU opened its doors in 2005 and was followed by the City Park shopping mall in 2009, which is the most high-end shopping mall to date. In December 2011, another modern shopping mall Tirana East Gate (which houses Carrefour) opened its doors.

Capital goods and specialized equipment are normally sold directly to manufacturers and businesses. When selling capital goods or equipment to businesses, a good agent is essential.

Consumer-oriented trade shows are also an important part of the retail scene in Albania.

## **Selling Factors/Techniques**

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Per capita income has been steadily rising for a decade but remains low by European standards. In 2012, estimates put GDP per capita around US\$ 4,330 (Note: This number does not take into account remittances from abroad or the large informal

economy). Companies developing their marketing strategies must take into account these figures and the fact that most consumers purchase goods and services based primarily on price. Nonetheless, American goods are recognized for their high quality and relatively competitive prices. Other factors to take into consideration when introducing new products/services are the need for aggressive promotional campaigns including, mass advertising especially for non-branded products. Also, support to the local partner with resources and training is necessary. For durable goods it is essential to offer efficient after the sales services.

Accurate statistics for market-size are not generally available. Typically, one agent or distributor can effectively cover the entire country. Several foreign companies have used their partners in Albania to expand into Kosovo and other neighboring markets like Montenegro and Macedonia (which have significant Albanian speaking populations.) Improvements in road infrastructure connecting Albania with neighboring countries, particularly with Kosovo, have facilitated the growth of regional trade.

## **Electronic Commerce**

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E-commerce is not widely used in Albania, but is expected to grow in the coming years. Credit cards in Albania are not widely used outside of major hotels, grocery stores, and department stores. Albania remains a predominately cash economy. Although the use of debit cards has increased significantly in recent years, many use the cards solely to withdraw their salary. Catalog shopping and Internet shopping is in its early stages, because of the low use of credit cards, low purchasing power, and the high cost of shipping.

Use of cell phones to pay for goods and services is in its very early stages and users are a limited category of businesses and individuals. The use of cell phones is currently limited for mobile banking and is used mostly by businesses while individuals use it only to pay utility bills.

## **Trade Promotion and Advertising**

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The advertising industry is growing rapidly in Albania. Both consumers and companies are beginning to understand the effectiveness of advertising and the importance of marketing products.

All forms of media are widely used (television, newspapers, magazines, radio, and outdoor billboards), although television remains the predominant medium. To a lesser extent, trade shows, sales promotion literature, and event sponsorship are also used to advertise goods and services.

For more information the following web links are suggested:

Media Outlets and Advertising:

<http://www.top-channel.tv>

<http://www.visionplus.tv>

<http://www.tvklan.com>  
<http://www.monitor.com.al>  
<http://www.klikekspogroup.com>  
<http://www.ogilvyal.com>  
<http://www.ddb.com>  
<http://www.ashley-holmes.al>

For a full list of advertising agencies please contact Commercial Assistant Ms. Edi Jacellari at [Jacellarie@state.gov](mailto:Jacellarie@state.gov)

Trade Events/Fairs are particularly good promotion channels for industrial products. Local and foreign firms rely on trade fairs to build business connections, gain market visibility, and learn about new technology. A list of local trade fairs can be found at the end of this document.

## **Pricing**

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Consumers in Albania are price sensitive and consistently seek bargains for their purchases. Companies wanting to compete in the market take this into account. The Value Added Tax (VAT) in Albania is 20% and all goods and services sold in Albania are subject to the VAT with a few exemptions such as, machinery and equipment imported exclusively to meet investment contracts worth US\$ 500,000 or more, machinery and equipment imported exclusively to meet investment contracts related to the active processing or agribusiness sectors, machinery imported from taxpayers subject to personal income tax on small business exclusively for their business activity, iron and cement to be used exclusively as raw materials for the construction of hydropower plants, education services, sale of books, magazines and papers, and advertising in written and electronic media. Pharmaceuticals have a 10% VAT.

Imports into Albania are subject to 20% VAT, which is assessed on the Cost Insurance Freight (CIF) value of an imported shipment plus applicable duty. Import duties vary from 0% to 15%.

Prices are set by the market with a few exceptions like the price of electricity, which is regulated by the GOA.

## **Sales Service/Customer Support**

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Retailers in Albania may require assistance in designing point-of-sale promotions. Foreign companies may have to advise their agents and distributors on shelving displays, product location, promotional campaigns and promotional literature. Although sales support and customer service are relatively undeveloped as marketing tools, service provided by local distributors to customers has improved.

Firms selling capital equipment or technology should emphasize customer service and product quality. American companies seeking to operate in Albania may want to consider providing training to their distributors/agents in order to communicate the firm's distinctive corporate policies, behavior and standards, and offer after sale service.

Intellectual property rights (IPR) infringement is common in Albania. Several general principles are important for effective management of IPR in Albania.

- Have an overall strategy to protect IPR
- IPR is protected differently in Albania than in the United States
- Rights must be registered and enforced in Albania, under local laws
- Companies should seek advice from local attorneys or IP consultants

The U.S. Embassy's Economic and Commercial Office can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. Government generally cannot enforce rights for private individuals. It is the responsibility of the rights' holders to register, protect, and enforce their rights while retaining their own counsel and advisors. While the U.S. Government is willing to assist; there is little it can do, if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. It is also recommended that companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Albania or U.S.-based. These include:

- The U.S. Chamber and American Chamber of Commerce in Albania
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Albanian Patent and Trademark Office
- Albania Copyright Office

### **Protecting Your Intellectual Property in Albania:**

Several general principles are important for effective management of intellectual property ("IP") rights in Albania. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Albania than in the U.S. Third, rights must be registered and enforced in Albania, under local laws. Your U.S. trademark and patent registrations will not protect you in Albania. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Albania market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Albania. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Albania law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Albania require constant attention. Work with legal counsel familiar with Albania laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Albania or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/ipprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché at: <http://www.uspto.gov/ip/global/index.jsp>

## Due Diligence

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Due diligence is often necessary for U.S. companies. Specialized legal and accounting firms can provide due diligence services in Albania. For a list of major legal and accounting firms please see below or contact Commercial Assistant Ms. Edi Jacellari at [Jacellarie@state.gov](mailto:Jacellarie@state.gov).

In considering a potential agent or distributor, a background check of a potential business partner, plus frequent visits by the export sales manager, are recommended. One of the standard programs of the Embassy's Economic and Commercial Section is the International Company Profile (ICP), designed to assist U.S. companies to enter international business relationships with greater confidence by providing background information on a prospective business partner. For more information contact the Embassy or visit <http://tirana.usembassy.gov/doing-business-local.html>

## Local Professional Services

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Local professional business services exist. The American Chamber of Commerce in Albania <http://www.amcham.com.al> is a good place to start when looking for legal and other business services in Albania. The U.S. Embassy's Economic and Commercial Office can also provide lists of local professional services upon request. Please contact Commercial Assistant Ms. Edi Jacellari at [Jacellarie@state.gov](mailto:Jacellarie@state.gov)

## Web Resources

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Department of Commerce Websites:

<http://www.buyusa.gov>

<http://www.export.gov>

Legal Firms:

<http://www.kalo-attorneys.com>

<http://www.bogalaw.com.al>

<http://www.wolftheiss.com>

<http://www.zkt-lawfirm.com>

<http://www.tonucci.it>

Auditing, Tax and Advisory Services:

<http://www.pbm.al>

<http://www.deloitte.com>

<http://www.kpmg.com>

<http://www.ey.com>

Business Associations:

<http://www.amcham.com.al>

<http://www.aida.gov.al>

<http://www.cci.al>

<http://www.fiaalbania.com>

Government Institutions:

<http://www.qkr.gov.al>

<http://www.qkl.gov.al>

<http://www.minfin.gov.al>

<http://www.mete.gov.al>

<http://www.tatime.gov.al>

<http://www.bankofalbania.com>

<http://www.instat.gov.al>

<http://www.app.gov.al>

<http://www.dogana.gov.al>

Advertising:

<http://www.ogilvyal.com>

<http://www.ddb.com>

<http://rtadvertising-al.com>

Media Outlets:

<http://www.tvklan.com>

<http://www.top-channel.tv>  
<http://www.visionplus.tv>  
<http://www.monitor.com.al>

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## **Chapter 4: Leading Sectors for U.S. Export and Investment**

### **Commercial Sectors**

- [ERG- Energy](#)
- [MIN- Mining and Minerals](#)
- [OGM – Oil and Gas](#)
- [TES - Telecommunication](#)
- [MED – Medical Equipment](#)
- [DGR – Pharmaceuticals](#)
- [TRS - Transportation](#)
- [CNR - Construction](#)
- [TRA – Travel and Tourism](#)

### **Agricultural Sectors**

- [Agriculture](#)

Albania has lacked a secure electricity supply for several years and its energy insecurity remains an impediment to economic growth. The country suffered frequent and recurring electricity shortages from 1992 to 2008, because of a lack of proper maintenance of inherited generation sources, a lack of new investments in these generation sources, gradual deterioration of transmission infrastructure, overdependence on hydro-generation, limited importing capacities, and general mismanagement of the sector.

At present, domestic generation is fully reliant on hydroelectric power plants (HPP) and is thus vulnerable to weather conditions. The average annual demand for electricity in 2012 reached 7,617 GWh while the average annual generation output in 2012 reached 4,720 GWh. The gap between supply and demand is met by either importing energy or load shedding. The GOA has embarked on a reform process in the energy sector to address this energy unreliability. The GOA strategy aims at securing additional electricity through:

- The construction of new alternative generation sources through private investment;
- The promotion of energy diversification;
- The construction of new interconnection lines to increase Albania's integration into the European network;
- The improvement of electricity distribution and consumption.

In the last decade, the GOA has also undertaken a series of initiatives including policy and regulatory reforms aimed to address security energy. These initiatives include:

**Higher Transmission Capacities:** The GOA has financed projects to build interconnection lines to raise importing capacities and integrate Albania into the European energy network. The new interconnection line between Albania and Montenegro has a transmission capacity of 100 MW and was completed in 2011. The investment was financed by German development bank Kreditanstalt für Wiederaufbau (KfW). In February 2010, the GOA also received KfW financing for the construction of an interconnection line between Albania and Kosovo as well as ring line in southern Albania. The GOA has also authorized the construction of two 400 kV undersea interconnection cable lines that would connect Albania and Italy but the project has yet to start with procedural deadlines having been pushed several times. In contrast, the Italy - Montenegro connection is at a far more advanced stage and as a result further complicates the feasibility of an Italy-Albania connection.

**Higher Distribution Efficiency:** In 2009, the GOA unbundled the Albanian Power Corporation (KESH) into three separate generation, transmission and distribution entities. In an attempt to improve the efficiency of the system and reduce large technical and non technical losses (theft) as well as bill collection, the GOA privatized the distribution with Czech company CEZ taking over the distribution arm. However, due to the prolonged dispute between CEZ and GOA, the latter took over the administration of

distribution arm in late 2012, opening the way to the arbitration process that is ongoing. As a result, lack of efficiency in the system continues to remain a big concern for the electrical system in Albania. In 2012, according to Energy Regulator, out of 100 kWh in the system only 34 kWh were collected, reducing the efficiency of the system to only 34%.

**Diversification of Generation Sources:** In 2008-2009, the GOA funded the construction of the Vlorë Thermo dual fired (oil/gas) power plant. The plant has an installed capacity of 97MW and would generate 700 GWh per year, representing approximately 10% of the country's overall consumption. The plant's capacity remains underused because its natural gas capacity has yet to come online and high oil prices make power generated from fossil fuels cost prohibitive. The plant may now serve as a backup when hydro-electric production falls short.

**Private Investment in Energy Generation:** Albania's total installed capacity at the end of 2012 totaled 1,726 MW, out of which 98 MW are in thermo and the rest is hydro. Fully 89% of the generation capacity is state owned, with 88% coming from the cascade of three HPPs with a total installed capacity of 1,350 MW. However, private generation share is increasing because of privatization of small and medium sized HPPs as well as the construction of new ones under concession contracts. Several small HPPs including the medium sized Ashta I and II (53MW) have currently entered the system increasing the share of private generation capacity. Privately owned generation capacity at the end of 2012 stood at 195 MW and is expected to increase further in 2013 with at least another 78MW due to the finalization of the privatization process of four small HPPs in May 2013.

**Hydropower:** The GOA has approved 110 concession contracts for the construction of 310 HPPs with capacities ranging from 1 MW to 320 MW. Most of the concessions would be for HPPs with an installed capacity of less than 10 MW. The construction of these HPPs would double the country's existing hydro capacity. The Kalivaci HPP (93MW) is the mid-sized HPP currently under construction and the larger Devoll Power 320 MW HPP cascade is scheduled to start construction in 2013. Additional capacity is available with the Vjose and Osum rivers.

**Wind power & Other:** The GOA has issued licenses for the construction of several wind farms with a total installed capacity of 1,367MW, with the largest being 500MW. All of these licenses were issued in 2007-2008, but none of these projects has started to date.

## Opportunities

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The energy sector has good investment opportunities in a variety of areas including investing in infrastructure upgrades as well as the construction of new small-scale HPP, interconnection lines, and wind farms. Trade opportunities also exist in the development of transmission lines and energy generation, and the promotion of energy efficiency through the use of home insulation and the installation of more efficient heaters and electromechanical devices.

The state-owned companies for both electric power transmission and generation will continue to make investments to increase transmission efficiency and to maintain

generation capacities. The distribution arm also needs to make significant investments in its distribution system as it needs to significantly reduce losses that presently account for 66% of the system's electricity. Additional projects relating to dam safety are also potential opportunities for the export of U.S. goods and services.

The GOA has approved a legal framework that regulates concession contracts for investment in the energy sector. The Law on Concessions allows companies to submit unsolicited proposals. The GOA has approved more than 100 concession contracts in the electricity generation sector, although only a few have progressed past the approval state. Amongst other reasons, lack of financing by the banking sector is hindering the implementation of these projects and financing by American companies may be an additional opportunity in the energy sector.

## **Web Resources**

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<http://www.mete.gov.al>

<http://www.ere.gov.al>

<http://www.kesh.com.al>

<http://www.akbn.gov.al>

<http://www.ost.al>

<http://www.aida.gov.al>

## MIN – Mining and Minerals

### Overview

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Albania is a country with considerable mineral resources. The estimated geological reserves are shown in the table below.

No	Mineral	Geological reserves	No	Mineral	Geological reserves
		Million tons			Million tons
1	Chrome	36.9			
2	Iron - Nickel Nickel - Silicate	220 102	21	Rock Salt	68246
3	Copper	53	22	Decorative Stones, marbles Decorative Stones ophiolites	299 70.4
4	Tar sands	406	23	Clays	262.7
5	Bitumen	0.864	24	Kaolin	1.9
6	Pirobitumens	6.4	25	Volcanic Glass	18.65
7	Titanomagnetites	137	26	Magnezites	1.135
8	Bauxite	12	27	Feldspar + albitophyres	71.64
9	Dolomite	> 158.5	28	River-bed gravels	242.4 mil. m <sup>3</sup>
10	Coal	770.4	29	Fluorite	0.758
11	Peat-Turfs	156	30	Sulphur	0.2
12	Tufe	5	31	Shkriferimet	39.91
13	Barite	0.72	32	Pyrophyllite	6
14	Limestone	Huge quantities	33	Talc	0.616
15	Mergele	> 2.6	34	Chalk	2
16	Trepele	6.4	35	Phosphorite	57.1
17	Olivine	108.6	36	Sand+Carbonatic Aggregates	25.4
18	Gypsum	84.4	37	Polymetals	1.031
19	Silica sands, quartzites	> 200.5	38	Platinum	848 kg
20	Basalt	Un-limited	39	Gold	13742.4 kg

The mining and minerals industry was state-owned until the late 1990s, when a gradual restructuring of the industry started. Privatization of Albanian mineral resources is accomplished through the granting of prospecting, exploration and exploitation permits to Albanian and foreign companies.

Under the new Law on Mining of 2010, Albanian and foreign companies may acquire rights to research, explore, and exploit. Minerals are divided into four groups: 1-metallic minerals, non-metallic minerals, coal and bitumen; 2-minerals and construction materials; 3-precious stones, semi-precious stones; and 4-minerals and radioactive substances. The Ministry of Economy approves its Annual Mineral Plan defining mineral zones as “bid areas” and “open areas” while “concession areas” are approved by the Council of Ministers. For the “bid areas,” companies will compete; while for “open areas,” group mining rights are granted on the first-come first-serve basis. Taxes applicable on the mining extraction are royalties that vary depending on the type of mineral from 3% - 10%, VAT 20%, and corporate income tax 10% (oil has other taxes – see section on Oil and Gas.)

Albania became compliant with the Extractive Industries Transparency Initiative (EITI) on May 3, 2013. EITI, an initiative launched in 2002 at the World Summit on Sustainable Development in Johannesburg, aims to increase the transparency in the extracting industry. The new Albanian mining law approved in 2010 obligates the companies to implement EITI. In the framework of EITI, Albania has published only one report for 2010 and the impact of EITI in increasing transparency in the sector remains to be seen.

It should be noted that the companies operating in the mining sector are mainly small to medium domestic and foreign companies, with foreign companies focusing mainly on cement, chromite, copper, and bitumen. Although progress has been made, the mining sector has not yet maximized its potential. Current investment levels are not commensurate with the underlying resource potential; especially in the chromite mining. Cement production is the one subsector that has attracted most of the investments.

The exploitation of chromite is heavily fragmented. As of January 2012, there were 711 mining permits with 622 exploitation permits, out of which 202 exploitation permits for the chromite and 207 for limestone. Out of 202 exploitation permits in chromite only one is held by a large company: Albanian Chrome (ACR).

The exploitation of Iron – Nickel and Nickel – Silicate is minimal, while efforts to explore minerals like titanomagnetites are only at the first stages of interest.

### **Major companies operating in extraction are:**

Locally-owned ACR has a 30-year concession contract that started in 2000 (transferred by Italian Darfo in 2007 to Russo-Austrian consortium then to Austrian company DECO and recently to an Albanian company) and operates the Bulqiza chrome mine, an enrichment plant in Bulqiza, a selection plant in Klosi, a ferrochrome plant in Burrel-Mat, a chrome mine Pjoska-Pogradec and a Ferrochrome Plant in Elbasan.

Turkish company Ber-Oner operates under a 30-year concession signed in 2001. It has three large copper mines at Munelle, Lak Rroshi, Karme 2. The consortium also has the enrichment plant at Fush Arrez, which was recently expanded to have a total ore processing capacity of 600,000 tons per year.

The Chinese-Turkish Consortium Illyria Minerals Industry (Kurum Energy, Resources and Metallurgy Sh.a.-KERM, a subsidiary of Kurum Holding A.S. of Turkey, and Sichuan Jiannanchun International Group Ltd, a major Chinese group of companies) signed a concession contract in 2010 for Kalimash and Vlahne chromite deposits.

Kurum also operates the only iron-steel plant in Albania, with an annual production capacity of 550,000 tons.

Alfa Nikel signed a concession agreement in 2011 to use the mineral resources in Bilisht, Korca District in the South East of Albania. The Bilisht site has a production capacity of 200,000 tons annually.

The French company Bitumi Selenica sh.a. has a concession contract to operate the Selenica bitumen mine.

In addition to these concessions, many other foreign companies, including Greek, Italian, Canadian, Australian, Swiss and American, have entered the market with research and exploration permits. These include Tirez-Canada, Balkan Resources-Canada, Adriatik Nickel-UK, Empire Mining Corporation, Mineral Invest, JAB resources, etc.

Small and large size investments have also taken place in construction materials, with a focus on asphalt and cement production that constitute a considerable part of total production in all mineral production. In January 2010, an investment of approximately US\$ 325 million for the construction of a cement factory by TITAN Group was finalized. The GOA has signed a number of concessions with local and foreign companies for the construction of cement factories. Spanish company, "Cemento Aguila," ARICAM Group, "GENER 2," "FASSA BERBERI" Balldre - Lezhe, "COLACEM," "GENERAL CEMENT" Balldre-Lezhe, and "ALBACEM" Mes-Shkoder have all been granted concession contracts to build cement factories. Some of these investments are on-going while some others have yet to materialize.

## **Opportunities**

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Considering the large number of companies involved in mining and exploration the mining sector represents good opportunities in trade of technology and services.

## **Web Resources**

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<http://www.mete.gov.al>

<http://www.akbn.gov.al>

<http://www.albeiti.org>

<http://www.gsa.gov.al>

Albanian oil fields have good potential for production development. Geological reserves are estimated to reach 437 million tons (3.27 billion barrels -- 78% reserves of sandstone fields and 22% reserves of limestone fields). Albanian oil is heavy crude oil.

In 1990, following almost 45 years of isolation, many foreign companies started exploration onshore and offshore and some others signed production sharing agreements (PSA) with the GOA. Albania's territory is divided into onshore and offshore blocks. Until 2012, Albpetrol managed only the existing oil fields, for which enjoys the right to enter into PSA with third parties for the development and exploitation of these fields for a period of 25-30 years, while the rest of the country was managed by the National Agency of Natural Resources (AKBN) which enjoyed the right to enter into exploration, development, and exploitation agreements for the rest of the territory outside the jurisdiction of Albpetrol. However, in 2012 in an effort to increase the value of Albpetrol ahead of a scheduled privatization, the GOA transferred all the free blocks from AKBN to Albpetrol.

Currently, the GOA has signed seven hydrocarbon agreements for the exploration, development and exploitation of oil fields for several blocks with the following companies:

San Leon Energy (offshore Durres Block); Cairn (Capricorn Albania Limited) and Dyas Albania B.V. (offshore Jon block); Manas [Petromanas Energy purchased two thirds of shares in 2010 and in 2012 it farmed out to Shell 50%] (onshore blocks A- B, D-E and 2-3); Bankers Petroleum (onshore - block F); Emanuelle Adriatic Energy Limited (block 2, 3 and 4 offshore Adriatic sea) and Sky Petroleum (onshore Dumre - blocks 4 and 5). Sky Petroleum's contract was cancelled in November 2011 and ended up in arbitration, with the decision being in favor of Albanian Government.

In addition, Albpetrol has signed seven PSA for the development and exploitation of the following oil fields:

Patos Marinza - Bankers Petroleum; Ballsh Hekal - Stream Oil and Gas; Cakran Mollaj - Stream Oil and Gas; Gorisht Koculit - Stream Oil and Gas; Delvina - Stream Oil and Gas; Kucova – Sherwood International Petroleum (later purchased by Bankers Petroleum); and Visoka by IEC Visoka. In February, Transoil Group announced that completed the takeover of Visoka oil field and its plans to invest 20 million US\$).

Since 1992, dozens of companies have operated in the oil and gas sector in Albania including: Occidental; Shell; Chevron; OMV; BP Petroleum; AGIP; Edison Gas; Hamilton Brothers; Shell; Deminex; INA Naftaplin; Coparex; Lundin Petroleum; Beach Petroleum; Hellenic Petroleum; DMW Petroleum AG; IPC; Anschutz; MOL; Clyde Expro PLC; Premier Consolidated Oilfields; etc. As a result a dozen onshore and offshore wells were drilled and thousands of new 2D seismic profiles have been completed.

In the last few years, the rise in the price of oil in international markets has renewed interest in Albania's oil sector. Bankers Petroleum started the development and exploitation of Patos Marinza in 2006. Average oil production for the first quarter of 2013

for Bankers Petroleum reached 16,033 barrels of oil per day (bopd), 64% higher than 2010 average production of 9,806 bopd.

Bankers Petroleum has also rehabilitated, reactivated hundreds of wells and plans to institute the use of Cold Heavy Oil Production technology. In May 2009, Bankers entered into a US\$ 110 million long-term loan agreement with the International Finance Corporation and the European Bank for Reconstruction and Development (EBRD) to fund capital needs of its oil fields.

Stream Oil and Gas has also started investing in the development and exploitation of oil and gas fields. In addition, IEC Visoka (Transoil Group took over on February 2012) is exploring a Production Sharing Agreement (PSA) of its own. However, oil production of both companies is insignificant.

Although, Albpetrol production has declined gradually with the transfer of most productive oil fields to Bankers Petroleum and the other two companies, total production of oil in Albania from 2006 to 2012 has almost doubled. This is mostly because of significant increase of Bankers Petroleum production which in 2012 reached 7 million bopd, double the production of 2006.

During 2012, GOA attempts to privatize the state-owned Albpetrol, after transferring some of the remaining blocks for exploration from AKBN to Albpetrol to increase its value, failed and Albpetrol is still state owned.

**Gas market:** The GOA is considering three options to connect Albania to international gas networks.

- Albania would serve as a final terminal (branch) to the existing gas networks in the region
- Albania would serve as a transit for the main gas pipelines in the axis Greece-Albania-Italy
- Albania would serve as a seaside terminal for Liquefied Natural Gas (LNG)

The GOA is a strong proponent of the Trans Adriatic Gas Pipeline (TAP). TAP is the only pipeline option that would bring Azeri gas to Europe through Albania. TAP would start with a capacity of 10 billion cubic meters (bcm) and would be scalable to 20 bcm. The GOA and TAP consortium is marketing TAP as the shortest and most feasible route to bring Azeri gas to Europe and in February 2012, TAP was chosen as one of the two finalists for the project. TAP's shareholders are three major European companies that include Swiss AXPO (42.5% of the consortium), German E.ON Ruhrgas (15% of the consortium), and Statoil (42.5% of the consortium). Statoil also owns 25% of the shares of Shah Deniz II, the consortium that would be the major supplier of Azeri gas. A decision is expected in mid-2013 and a successful TAP project would be the single largest and most influential foreign investment made in Albania since the transition started in 1990.

The GOA has also issued two licenses for LNG terminals but to date none of the projects has advanced beyond the approval stage.

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All the activities listed above provide opportunities for U.S. companies to offer goods, services, and financing in the oil and gas sectors. The privatization of Albpetrol also created trade opportunities in goods and services as would a potential TAP energy project.

## Web Resources

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<http://www.akbn.gov.al>

<http://www.mete.gov.al>

<http://www.alb-petrol.com/>

<http://www.streamoilandgas.com>

<http://www.ildce.com>

<http://www.sanleonenergy.com>

<http://www.petromanas.com>

<http://www.bankerspetroleum.com>

<http://www.transoilgroup.com>

<http://www.cairnenergy.com>

## TES - Telecommunication

### Overview

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#### Albania's key telecom parameters

Sector	2009	2010	2011
<b>Broadband</b>			
Broadband subscribers (thousand)	80	120	174
Broadband penetration rate	2.5%	3.75%	6%*
<b>Subscribers to Telecoms Services</b>			
Fixed-line telephone subscribers (thousand)	363	330	339
	11.3%	10.3%	12%
Mobile phone subscribers (million)	4.16	4.5	5.2**
Penetration rate	130%	140%	185%

\*In 2011, the penetration rate is calculated with the new figure on the population as result of 2011 census.

\*\* In 2011, Electronic Communication Regulator (AKEP) published data about the number of active mobile sim cards. Out of 5.2 million subscribers, only 3.1 million used the mobile communication during the last three months of 2011. As such, penetration rate would go down to 110%.

#### Electronic communication market revenue

Sector	2009	2010	2011
<b>Overall Market Revenue(million US\$)</b>	<b>615</b>	<b>570</b>	<b>520</b>
Mobile sector (AMC, Vodafone, Eagle, and Plus)	472	416	390
Fixed line (Albtelekom)	112	108	93
<i>Other operators</i>	31	46	37

No revenue data reported for cable TV services. Data for 2011 are not available yet.

The electronic communication sector in Albania is generally liberalized. The Law on Electronic Communications, enacted in June 2008, introduced the general authorization regime where electronic communications networks and services that do not require the use of limited resources (numbers and frequencies) can receive individual licenses. General authorizations are issued by telecom regulator, the Agency of Postal and Electronic Communications (AKEP).

The market has experienced remarkable growth in recent years and its growth potential has attracted international investment in all segments of the sector, with the primary focus being in mobile and broadband segments. In 2011, the electronic communication sector revenue declined to US\$ 520 million, down from US\$ 570 million in 2010. This is

mostly due to the decline in prices for services offered by the operators in all segments of communication. There are nearly 200 operators in the market but the three mobile operators Vodafone, AMC, and Eagle along with the fixed-line operator Albtelekom represent 91% of total revenue of the e-communication sector with mobile telephony accounting for 75% of market revenue.

Mobile service first entered the market in 1996 and started significant growth around 2000. Growth in mobile telephony fueled by the low penetration rate of fixed telephony. Today the sector has close to 5.5 million subscribers compared to 15,000 in 2000. Mobile telephony has a penetration rate of 185%, far higher than the EU average. Future sector growth is expected to come from increasing average revenue per user by providing new data services. Companies are investing in providing data services to consumers and during 2011, communication companies invested almost US\$ 100 million in the development of mobile networks, fixed networks and fiber optic backbone.

Albania's broadband market offers significant growth potential due to low penetration levels. In 2011, such levels stood at 6%, far below the EU average of 24.8%. In addition to Albtelekom, several regional competitors have emerged to offer broadband services over their own fiber, cable and wireless networks. Internet access is available through a variety of means and all operators are aggressively pursuing strategies to increase the number of customers receiving broadband access. In 2010, companies invested roughly US\$ 32 million in fixed network development.

Triple play platforms offering cable TV, broadband, and fixed telephony are also developing fast.

In addition, the project for the digital broadcasting that was announced recently will bring new opportunities for investment and trade.

## **Opportunities**

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Overall, the electronic communication market represents good opportunities for trade and investment. Investment could create opportunities for U.S. companies to provide equipment and solutions, especially in the broadband sector. The entrance of 3G will also boost the demand for equipment such as smart phones.

The telecom market is dominated by Alcatel-Lucent, Siemens, Huawei, Ericson, ZTE Marconi, etc.

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<http://www.akep.al>  
<http://www.mpptt.gov.al>  
<http://www.amc.al>  
<http://www.vodafone.al>  
<http://www.eaglemobile.al>  
<http://www.albtelecom.al>  
<http://www.tring.al>  
<http://www.asc.al>  
<http://www.abcom-al.com>

<http://www.primo.al>  
<http://www.abissnet.al>

## MED – Medical Equipment

### Overview

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Albania has a predominantly public healthcare system, but there is an increasing level of private services that are being offered to Albanian citizens. The State is the major provider of healthcare services. The public health service is organized in three levels: primary healthcare; secondary hospital service; and tertiary hospital service. The Ministry of Health takes the leading role in the public sector; it develops health policies, proposes the health care budget and the investment program for the sector, and monitors the work of state-owned health institutions. The Public Institute of Health Insurance in Albania is based on compulsory payroll contribution from both employees and employers and it is subsidized by the government for other segments of the population. It administers the primary healthcare system and some approved services in the secondary healthcare service.

The GOA has been investing in the secondary and tertiary public healthcare to improve physical infrastructure and technology. Albania has in total 41 public hospitals - 22 district hospitals, 11 regional hospitals, four university hospitals, one trauma university center, two psychiatric hospitals, and the National Centre on Child Development and Rehabilitation. The system is financed by the state budget and equipment and other major investments are purchased directly by publicly owned institutions. The Law on Public Procurement requires open electronic tenders for all purchases of goods and services.

Reform in the health sector is on-going and the GOA currently plans to develop hospital care through the incorporation of the hospital services under the health insurance scheme.

The private sector is also developing at a fast pace. It covers most of the pharmaceutical and dental services offered in the country. The number of clinics for specialized diagnosis has increased significantly in major urban areas and private hospital development is also making progress. Four private, western standard hospitals have opened in Tirana in the last two years. The hospitals offer a wide range of specialized services. The newest Salus Hospital, inaugurated in February 2012, represents a US\$ 20 million investment by the Italian Hospital Trieste, Salus Holding, and local entrepreneurs. There are three other major private hospitals, American Hospital, Hygeia and German Hospital.

The development of private clinics, opening of private hospitals, and investments by the government in the public health sector have all raised the demand for medical equipment, and represent good opportunities for U.S. manufacturers of healthcare equipment.

Albania imports 100% of the medical equipment that is used in the market. The primary suppliers of such equipment are manufacturers from the EU and to a lesser degree the United States. Public expenditure for healthcare is low. In 2013, the GOA has earmarked only US\$ 19 million for capital investments in the health care sector. US\$ 13 million of this allocation is for improvements in hospital infrastructure and technology.

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There are good opportunities in the Albanian market for U.S. manufacturers of medical equipment for both the public and private sectors. U.S.-manufactured medical devices and equipment enjoy an excellent reputation in Albania for their state-of-the-art technology, quality, and reliability. Price and after the sale technical assistance are two factors to be considered in Albanian market.

Products that might represent some export opportunities for U.S. manufacturers include: diagnostic imaging (CT, MRI) and radiation therapy equipment; computer tomography imaging equipment; electrocardiographs; cardiovascular diagnostic equipment; pace makers (the American Hospital and the Universal Hospital have strong cardiology departments); digitalized x-ray equipment; clinical laboratory equipment (there are many independent labs); non-invasive surgical devices; anesthesia and intensive care equipment; ultrasound equipment; urology equipment; laboratory and testing equipment; tissue and blood bank related equipment (there is a national blood bank although reputable hospitals do some of this type of testing before transfusion); needles; catheters; medical lasers; endoscopes; laser instruments, and a whole range of dentistry equipment and products.

Interested companies should visit the Agency of Public Procurement Portal [www.app.gov.al](http://www.app.gov.al) to monitor for tenders in the public sector. The private market also presents opportunities and the most efficient way to enter the market is to engage local contacts such as dealers, agents, representatives, or partners. In addition to the Albanian Procurement platform, companies should also monitor the World Bank announcements since the later has been involved in financing the modernization of the health sector in Albania.

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<http://www.moh.gov.al>

<http://www.app.gov.al>

<http://www.spitaliamerikan.com>

<http://www.hygeia.al/>

<http://www.german-hospital-tirana.com>

<http://www.salus.al>

## DGR – Pharmaceuticals

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The pharmaceutical service in Albania is predominantly private with three, small, local private manufacturers, 216 pharmaceutical warehouses, 1020 pharmacies, 210 pharmaceutical private agencies, and 42 hospital pharmacies (which are the only public pharmacies).

The Ministry of Health monitors the pharmaceutical industry and all drugs must be registered with the National Center of Drug Control. To date, there are more than 3,400 drug form-doses registered in Albania. For the registration process for drugs please visit [www.qkbb.gov.al](http://www.qkbb.gov.al)

Two commissions annually approve the drugs that are reimbursable by the Health Insurance Institution and the maximum CIF (cost, insurance, freight) prices of imported and locally manufactured drugs. The two entities are the Drug Commission on Drafting and Reviewing the Reimbursement List and the Drug Pricing Commission and they are appointed by the Minister of Health and approved by the Council of Ministers. For more information please visit <http://www.isksh.com.al>. For 2011, Health Care Insurance Institute (ISKSH) spent close to US\$ 70 million for drug reimbursement.

Albania operates a nationalized healthcare system where the government sets prices and subsidizes prescription medicines. The GOA has earmarked US\$ 77 million to cover the reimbursement of 426 prescription medicines, part of the reimbursement list for 2013. U.S. manufactured products comprise a small share of this list.

The drug market in Albania has an estimated value of US\$ 200 million. The market is dominated by imported products and locally manufactured products account for a small share of the total market. In 2012, Albania imports under chapter 30 “pharmaceutical products” reached close to US\$ 156 million. Although U.S. exports account for a small share of the market, it should be noted that the share maybe larger because U.S. products are often imported from their European offices. Generic drugs are popular in the market due to lower prices.

The Albanian market include also includes products from these foreign companies: GSK (UK); Novartis (Denmark); Roche (Swiss); KRKA (Slovenia); Lek (Slovenia); Alkaloid (Macedonia); Berlin Chemie (Italian – Menarini Group); Medochemie (Cyprus); HEMOFARM KONCERN (Serbia); MIBE (Germany); Johnson & Johnson (USA); Pfizer (USA); Eli Lilly (USA); etc.

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Pharmaceuticals that treat cardiovascular disease, cancer, and diabetes will be in demand in the Albanian market as these are the leading causes of death in the country. U.S. suppliers might also consider the pharmaceutical market for vitamins and minerals. The market for food supplements is also under-developed and maybe another opportunity for U.S. companies.

<http://www.qkkb.gov.al>

<http://www.isksh.com.al>

<http://www.imoh.gov.al>

## TRS - Transportation

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Albania's small and dilapidated transportation infrastructure is a vestige of its communist past and has been cited as one of the primary hindrances to economic growth. The GOA has made infrastructure investment a top priority and the road network has received the majority of the state's capital spending over the last few years. The country has some 11,185 miles of road, of which 2,259 miles compose the main national network and the rest are rural roads. Albania has also 278 miles of railway network in very poor condition.

The country is ideally situated to serve as an effective transport hub for southeastern Europe. The country's close proximity to Italy (60 miles) gives it the potential to further develop its road, rail, air and sea transportation networks. Albania is a key part of corridor VIII (Pan-European corridor) and has the potential to be an important player in this transit route for the region.

**Roads and Railway:** In the last decade, major investments in road infrastructure have been made and construction is ongoing on major corridors of the national road network. The 2011-2013 Economic and Fiscal Program cites the construction and rehabilitation of the country's main north-south and east-west corridors as its focus.

A major accomplishment in road infrastructure is the 112 miles Durres-Kukes highway, the "national road" that links the Port of Durres with Kosovo. The most challenging segment of the road close to 42 miles was completed in 2010 and work is currently ongoing to complete some remaining segments. The completion of the Kosovar side is expected to boost trade and tourism in the region. Several other roads that will comprise the national network have begun construction or should be starting soon. The Tirane-Elbasan road that will facilitate the link between Tirana and Macedonia is scheduled to complete within 2013. The government has earmarked US\$ 380 million for capital investment in infrastructure for 2013, of which US\$ 2482 million will go to the national road network and 106 million will go for water supply and sewage projects.

The GOA started an ambitious project in 2008 to develop Albania's rural road network. Scheduled to be completed in 2013, this US\$ 400 million project is targeting the rehabilitation of approximately 950 miles of rural roads. This project is co-financed by the GOA and other international institutions and managed by the Albanian Development Fund [www.albaniandf.org](http://www.albaniandf.org).

**Ports:** Albania's outdated and small port infrastructure is comprised of the four main ports of Durres, Vlora, Saranda and Shengjin. Durres is the main port and handles approximately 85% of Albania's trade volume. Some upgrades have been made at the Durres Port and some improvements are ongoing. The port has a newly-completed container terminal and an upgraded passenger terminal. The new passenger terminal raises safety standards and increases passenger capacity to 700,000 but the small size of Albania's ports prohibits the country from becoming a regional transportation hub.

The GOA has granted a concession to Zumax to build a large container port in Vlore. GOA has also granted several concessions for the construction of marinas along the

coast line to encourage tourism. However, none of these projects seem to have progressed beyond the initial stage.

In early 2012, a project that would allow the port of Saranda to accommodate large cruise ships was approved.

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The GOA's program of road rehabilitation and construction continues to create opportunities for U.S. goods and services. In addition, the GOA is turning to concessions models for the maintenance of the national road network and port services and this might create opportunities for companies specialized in these services. Water supply and sewage treatment projects offer additional opportunities for US companies.

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<http://www.mpptt.gov.al>  
<http://www.dpshttr.gov.al>  
<http://www.albaniandf.org>

## CNR - Construction

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The construction sector experienced impressive growth from 2000 to 2009 when the effects of the financial crisis reached Albania. The boom in the construction sector was initially fueled by a serious housing shortage, an expansion in residential and commercial space in Tirana and other cities, a higher demand for retail and wholesale space, and an upgrade of Albania's transportation infrastructure.

Private sector construction is mainly comprised of private homes and apartments for families. State participation in the construction sector is mainly infrastructure and engineering projects.

Since 2009, growth in the housing sector has slowed dramatically due to both the global economic crisis and saturated housing market. Some positive developments in the high-end residential and commercial sectors as well as government financed infrastructure have somewhat mitigated the negative impact of the decline in residential construction.

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While domestic production of main construction materials has increased significantly over the last years, Albania still imports a wide range of construction materials. Buildings in Albania are made of concrete and bricks and are energy inefficient as insulation is rarely used. Ever rising energy prices is expected to increase the demand for insulation materials in the market.

High-end residential and commercial properties as well as infrastructure projects are garnering increasing attention from foreign investors. The focus on infrastructure projects is mainly for roads, water supply, and sewage networks. As such, demand for quality construction materials is expected to increase.

Potential U.S. goods for this market include: wood and vinyl windows; doors; flooring and kitchen cabinets; suspended ceilings; insulation; adhesives; paints; cements; roofing shingles; heating and ventilation systems; air conditioning; refrigeration; and cooling systems.

Large infrastructure projects like roads, water supply and sewage and sewage treatment will also increase the demand for services, machineries, materials and equipment.

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<http://www.mppt.gov.al>  
<http://www.mete.gov.al>  
<http://www.albaniandf.org/>

## TRA – Travel and Tourism

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The GOA considers tourism a key strategic economic sector, viewing its potential to act as a catalyst for the development of the rest of the country. Located in the heart of the Mediterranean, Albania could well be Europe's last tourism "secret."

The country is rich in tourist resources, including mountains, valleys, forests, rivers, lakes and especially beaches. Apart from its natural assets, Albania offers many opportunities to explore the country's cultural heritage with well-known archaeological sites dating back to pre-Roman, Roman, Greek and medieval times. Amphitheatres, castles, Roman cities, monasteries and old churches, are among the archeological points of interest that Albania has to offer, some of which are UNESCO protected sites.

Traditional villages, ancient castles and a beautiful coastline are part of its heritage. Albania surprises visitors with the diversity of its landscapes, which can change quickly and dramatically. Landscapes range from typical Mediterranean terrain in the west and southwest, to mixed landscapes in the central areas, to steep mountains in the inner part of country. Albania's coastline is one of the greatest assets of the country. It stretches for about 450 km from north to south with two distinct coastal zones: the Adriatic and the Ionian. Besides its beautiful coastline which is mostly underdeveloped Albania has great mountainous tourism potential which is completely underdeveloped.

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Tourism is the only sector of the Albanian economy with a positive trade balance as the country has traditionally been the summer vacation destination for the Albanian Diaspora, expats and ethnic-Albanians in Macedonia and Kosovo. The number of visitors has increased substantially in recent years. In 2012, it was estimated that about 4.75 million visitors came to Albania mostly for leisure. The pristine and diversified nature and culture has attracted the attention of western media. Lonely Planet's **Best in Travel 2011** has proclaimed Albania the number one travel destination of the top 10 countries for 2011. A growing number of US citizens have visited the south of Albania during daily trips during holiday cruise stopovers.

The GOA has embarked on a major goal to improve infrastructure and since 2006, over US\$ 2 billion have been and are in the process of being invested in order to expand road infrastructure and improve access all over the country as well as build new passenger terminals in ports and airports. While the road infrastructure is improving, tourist accommodations have developed chaotically and are far from acceptable standards. In 2011, officially there are just 285 hotels with about 19,000 beds in Albania but the number of hotels and other accommodating facilities is much higher and keeps growing. Only a very limited number of hotels have been classified according to their services, more than the half of them in Tirana. One of the major issues that need to be addressed to further boost the tourism industry is the size and the quality of the accommodation. There are only a few hotels that can accommodate large groups of tourists and this is one of the factors that hinder the development of the sector.

Existing tourist hotels in Albania offer limited capacities of up to 20 rooms or so. Hotels of this size are not able to work with larger tourist groups organized in package tours by Western operators. The opportunity exists for an investor with a track record in the management and marketing of small size hotels to link and operate several of these smaller hotels, under one brand name offering low-cost packages to visitors.

Another opportunity is in the development of high end resorts which are entirely absent. There are several high end resorts at the planning stage but none have been initiated.

Such investments will create opportunities for US companies to offer services in the designing and implementation stage as well as the management of such resorts.

Also, the recent removal of moratorium on recreational boats in 2013 might create opportunities for trade on motor boats, speed boats, sail boats, water jetski and other entertainment vehicles.

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<http://www.mtkrs.gov.al>

<http://www.albaniantourism.com>

## Agriculture sector

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Albania is a relatively small country, with a resident population of about 2.8 million. It has a total area of 28,750 square kilometers, of which 24% (696,000 hectares) is considered agricultural land, 36% (1,014,000 hectares) forest, 15% (423,000 hectares) pastures and other types account for the remaining 712,000 hectares. Rural population has decreased throughout the years to just 46% according to the 2011 census. Still nearly 50% of the labor force works, directly or indirectly, in agriculture.

Traditionally, the leading sector of the economy until 1990, agriculture has over the years lost its dominant role in Albania's domestic production. However, the sector still contributes approx. 20% to the GDP and in 2011 total agriculture domestic production reached US\$ 2.3 billion. Agriculture (crop, animal, fruit trees) production generated almost 76% of the total agriculture share of GDP, while agro processing provides the remaining. GOA considers the agriculture sector to be of crucial importance for the development of the domestic economy and aims to boost agriculture production through providing financial support to farmers and facilitating private investment in the agro processing sector. GOA has distributed over the last three years almost US\$ 20 million to develop fruit and olive orchards, vineyards, greenhouses etc.

Once an exporter of agricultural products, today Albania has turned into a net importer. In 2012, imports of agricultural products totaled US\$ 930 million representing approx 30% of Albania's alimentary consumption. Agriculture trade volume with the US is quite limited in both quantity and diversity. Major import from US in this category is edible meat. In 2012 Albania imported from United States US\$ 29 million of edible meat almost 40% of all edible meat imported in 2012. There are other products that represent opportunities for trade with US like maize, wheat, animal feed and flour. In 2011, Albania imported US\$ 100 million in grains, mainly wheat, US\$ 21 million in animal feed, US\$ 15 million in flour and US\$16 million in maize.

Thanks to its mild climate, fertile land and abundant water resources including rainfall, surface and ground water, the agriculture sector potential remains untapped because small size of farms and low mechanization. Furthermore, the low use of fertilizers and pesticides in agriculture creates the opportunity for the development of organic agriculture. Opportunities are available for foreign investors in the production and processing of high-value crops and well as in some niche markets. Investors who can address issues pertaining to lack of marketing and distribution facilities, refrigeration and storage, quality control, lack of vertical integration, lack of capital, and processing and packaging requirements, would be able to take advantage of preferential trade agreements with the European Union to increase exports.

The economic development of Albania and the increase of purchasing power will boost the demand for new high-end products and provide new niche markets for US exporters. Also, the recent expansion of large retail and food service outlets has led to better marketing and a growing demand for product variety. On top of that, the completion of the Durres-Kukes road project has reduced significantly the cost of transportation and has expanded the market to almost 5 million customers.

## Opportunities

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Good prospects exist for US exporters in the following sub sectors:

**Grain:** The Albanian market consumes about 500 - 600,000 MT tons of grain per year, most of which is imported. In 2011, 315,000 tons of wheat worth approximately US\$ 100 million was imported. In the past there have been some sporadic efforts to import wheat from the US but the main barrier to trade remains the poor infrastructure in Albanian ports. Albania's main port, Durres, is shallow and does not allow for large vessels. GOA is planning to deepen the port and improve warehouse capacities in order to maximize the economic benefits of the Durres-Kukes road. Albania produces large amounts of maize, mostly for animal feed, but in 2011 imported a combined 100,000 tons of maize and animal feed worth about US\$ 37 million. The main competitors for US wheat and maize are eastern countries, Russia and Ukraine, but also Argentina.

**Livestock:** There are interesting prospects for US exporters of red and poultry meat, and edible offal. Despite the fact that Albania produces large amounts of red meat and other products, the country imports considerable amounts of live animals and meat products, mainly for the meat processing industry. In 2011, total imports for livestock were about US\$ 160 million half of it consists of edible meat. Total imports of poultry amounted to US\$ 28 million of which US\$ 12 million were imported from US. Good niche opportunities still exist for U.S. exporters especially on swine meat, imports of which come second after poultry meat.

**Animal feed:** Albania is a net importer of protein meals for animal feed. There is no local production of soybeans, and traditionally soybean meal and other soy products are imported. Imports have come primarily from the neighboring countries and, as in the case of wheat and other bulk products, attempts to import directly from the US have not succeeded due to the poor import infrastructure. In 2011, Albania imported 54,000 tons of animal feed worth about US\$ 21 million. Demand is favorable due to growing local and foreign investment in the poultry and pork sectors.

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<http://www.mbumk.gov.al>

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## Chapter 5: Trade Regulations, Customs and Standards

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- [U.S. Export Controls](#)
- [Temporary Entry](#)
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### Import Tariffs

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Albania enjoys a liberal trade regime. Foreign trade was liberalized in 1990 and follows guidelines set by the European Union (EU) and World Trade Organization (WTO). Albania has been a member of WTO since 2000. The Customs Tariff Nomenclature is based on the Harmonized Commodity Description and Coding System (HS).

The Directorate General of Customs is the institution responsible for the management of customs in the Republic of Albania. DG Customs is under the Ministry of Finance and conducts its activity pursuant to Customs Code of the Republic of Albania of 1999 and its respective bylaws. The Albanian Custom Code's design is based on the Instruction of the Council of Europe EEC No. 2913/92 dated on 12 October 1992.

The general legal framework mainly consists of:

- Law no.8449 of 27.01.1999 "Customs Code of the Republic of Albania" which is in line with Regulation 2913/92/EEC "The Community Customs Code."
- Law no.8474 of 14.04.1999 "On the Combined Nomenclature of Goods" based on Regulation 2263/2000/EC which amended Annex I of Regulation EEC 2658/87. The nomenclature of goods in Albania changes every year as a result of the fulfillment of WTO requirements and Free Trade Agreements.
- Decision of Council of Ministers No 205 dated April 13, 1999, "On the Implementation of Provisions of the Customs Code", based on Regulation 2454/1993/EC.
- Free Trade Agreements (SAA, CEFTA, FTA with Turkey and EFTA countries).

The Stabilization and Association Agreement (SAA) with EU entered into force on April 1, 2009, following ratification by EU member countries. It guarantees the:

- Establishment of a free trade area according to the commitments of Albania under the agreements signed with the WTO.

- Implementation of a transitional period, which establishes a free trade area between the two parties, over a period of ten years, divided in two five year periods. The first period foresees: (i) tariff reduction for sensitive industrial products, agricultural products, processed agricultural products and fish products; (ii) different transitional periods for further liberalization of trade in services, public procurement, technical barriers to trade, etc. The provisions of the second period are subject to negotiations at the end of the first phase.
- Elimination of all quantitative trade restrictions, or other measures with a similar effect and the gradual elimination of custom tariffs, to ensure the complete liberalization of imports of industrial products.
- Convergence and harmonization of trade legislation with EU legislation.
- Elimination of fiscal discrimination resulting from tariffs and taxes which are applicable in both parties' territories.

Albania is a signatory to the International Technology Agreement under the WTO umbrella, and as such, provides for free import of information technology equipment under the agreement.

Customs duties/tariffs vary from zero to 15% based on the type of goods. Other taxes imposed on imported products include 20% VAT (with a few exceptions) and the excise tax, which applies to limited categories of products. VAT and excise tax are calculated on the basis of the CIF price plus duty.

Import regulations are generally not available in English. In order to learn about customs duties, taxes, and quality requirements for a specific product, U.S. exporters must contact freight forwarders or business consultants in Albania.

For customs tariffs and excise tax levels please see the Customs Administration website at <http://www.dogana.gov.al> and the Tax Administration's website at [http://www.tatime.gov.al/gdt/Tax legislation in Force.aspx](http://www.tatime.gov.al/gdt/Tax_legislation_in_Force.aspx). For certain items, taxes are levied based on a government-determined fair market price (reference price) or the global market price regardless of the actual price paid.

## Trade Barriers

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There are no significant non-tariff trade barriers. However, administrative bureaucracy, including the use of sanitary or phytosanitary measures (SPS), can delay the movement of goods and increase costs. In addition, the application of market prices, often referred to as reference prices in calculating customs dues and other taxes, have become a concern and are a potential barrier for many businesses involved in trade activity.

## Import Requirements and Documentation

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The following are the main documents required for imports and exports:

1. Certificate of the quality of goods
2. Certificate of the analysis of goods
3. Certificate of the origin of goods
4. Original purchase invoice (sales contract for the goods is optional)

5. Transportation documents (CMR, BL, AWB)
6. VAT number of Importer
7. Import authorization for certain goods

It is obligatory to describe the sanitary characteristics of food or medical products.

## **U.S. Export Controls**

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Most technology can be exported from the United States to Albania under general export licensing, but some equipment requires validated export licenses from the Bureau of Industry and Security (BIS), formerly the Bureau of Export Administration (U.S. Department of Commerce). The BIS is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most U.S. commercial items. The items that BIS regulates are often referred to as "dual-use" items (i.e., items that have both commercial and military or proliferation applications) but purely commercial items without an obvious military use are also subject to the EAR. Export licenses can be obtained from the Bureau of Industry and Security. The need for an export license depends on the product's Export Commodity Control Number (ECCN), available from the manufacturer, or from BIS by calling (202) 482-3332 or - 4811. The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. A list of other agencies involved in export controls can be found on the BIS website at: <http://www.bis.doc.gov/> or in Supplement No. 3 to Part 730 of the EAR.

In 2007, Albania approved the Law on the State Control over Import-Export of Dual Use Military Goods and Commodities/Technologies. Starting in June 2009, any company, public or private, dealing with import-export, transit, transshipping, transfer, exhibition of dual use military goods and commodities/ technologies, or that serves as broker for these goods, included in the EU list of control and approved by the Council of Ministers, are legally bound to get licensed or authorized prior to the start of procedures by the State Export Control Agency in compliance with the Albanian legislation in force.

For more information please visit the State Export Control Authority (AKSHE) web page: <http://www.akshe.gov.al>.

## **Temporary Entry**

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Effective February 25, 2013 Albania became a party to the Customs Convention on Carnet (ATA) for temporary import of goods. ATA Carnets are accepted for transit, are not accepted for postal traffic, and are not accepted for unaccompanied goods. For information on obtaining an ATA export document, please visit the following website: <http://www.atacarnet.com/>.

The Albanian customs regime is structured as follows:

Free Circulation Regime – Import or release of goods into free circulation, as a category of customs regime, means the permanent placing of goods in the territory of Albania.

Products set under such a regime are subject to all trade policy measures, such as custom duties and other related payments.

Export – Export regime is applied on all Albanian products destined for export outside the Albanian customs territory.

Active Processing (Fason Regime) - The active processing regime implies that foreign goods undergo operations of transformation or processing on Albania's customs territory without the application of measures of economic policy, except for the customs processing fees, provided resulting products are exported.

Processing Under Customs Control – This regime allows goods to be imported from outside Albania for processing operations, which change their nature or state, without being subject to import duties or other trade policy measures. Duty becomes payable when the finished product is put on free circulation. The duty is then payable on the finished product as if it had been imported directly.

Temporary Permit Regime – Under such a regime, non-Albanian goods destined for re-export can be used in the Albanian customs territory being completely or partially exempted from import duties and any trade policy measures if they are not experiencing any change except depreciation. The maximum period for goods to be under such regime is one year. After this period, they should be re-exported.

Passive Processing - Albanian products are allowed to be exported temporarily outside the Albanian customs territory, so that they can be processed and products gained from these operations may be placed in free circulation (re-imported) with complete or partial exception from import duties.

Transit Regime - Transit of goods and vehicles means movement of goods and/or vehicles between foreign countries through the territory of Albania without application of economic policy measures thereof. Goods transported through the territory of Albania are exempt from customs duty, VAT, and excise taxes.

Temporary Warehouse regime – Products are considered to have the status of temporary storage from the moment they are present in the customs office until the time their destination is determined. Such goods are held in specific areas approved by customs authorities.

## **Labeling and Marking Requirements**

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According to the Law on Food, all food products destined for end consumers must have labels in Albanian and should include: name of the product; ingredients; quantity of special ingredients or categories of ingredients; net quantity/weight/volume; expiration date; manner of storage; pertinent consumer warnings; and importer's full address. The label in Albanian is not a requirement for the exporter but the importing company.

Directions on the labeling on non-food products in Albanian are less specific.

## Prohibited and Restricted Imports

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There are no specific prohibited imports. Special import provisions are enforced for strategic sectors such as weapons, munitions, and dual-use items.

## Customs Regulations and Contact Information

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The General Directorate of Customs is responsible for the management, organization, and control of customs activity in Albania. The customs value of goods includes the price of the goods as well as transport and insurance expenses. For certain items, taxes are levied based on a government-determined fair market price or prices on the stock exchange regardless of the actual price paid.

For more information about customs regulations in Albania you can contact:

General Directorate of Customs  
Tirana, Albania  
Tel: ++ 355 4 223 4499  
Fax: ++ 355 4 224 3914  
<http://www.dogana.gov.al>

## Standards

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## Overview

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Albania has specific institutions for the standardization, conformity assessment, accreditation and product certification. In certain areas, such as processed foods, beverages and pharmaceutical products, individual ministries or agencies issue sector-specific standards and certificates.

Albania, in large part, has adopted standards regimes developed in other Western countries. ISO and EN are the primary standards-making bodies. Albania is a correspondent member without the right to vote in the International Organization for Standards (ISO) and an affiliate member to the European Organization of Standards (CEN & CENELEC). Since April 2009, it is also an associate member to the IEC with a limited vote right.

Application of Albanian standards is mainly voluntary unless specifically provided otherwise in law. Aside from standards concerning products for human ingestion, most standards are not enforced by legislation. Standards are developed or adopted by Technical Committees composed of interested parties from different sectors and industries. The work of the committees is then passed on to the national standards organization -- the General Directorate of Standardization (DPS). DPS is the official local inquiry point for issues relating to Technical Barriers to Trade (TBT), while the obligations under WTO/SPS Agreement are passed to Ministry of Agriculture, Food and Consumer Protection and the National Food Authority.

## Standards Organizations

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**General Directorate of Standardization (DPS)** ([www.dps.gov.al](http://www.dps.gov.al)) is a non-profit, public institution acting as the National Standards Body of the Republic of Albania, except for the telecommunication field. DPS represents the Republic of Albania at European and International Organizations dealing with standards like CEN, CENELEC, ISO, IEC and serves as a liaison to WTO officials.

The law on standardization establishes the rules and procedures for the development of all national standardization activities and the establishment and functioning of the General Directorate of Standardization, as the National Standards Body in Albania. DPS is responsible for developing, adopting, approving, implementing, amending, withdrawing, and publishing the Albanian Standards and to publish European and international standards. The price for an Albanian standard varies from US\$ 12 to 260 and, in general, their price is approximately 30% of the international standards. The most requested standards in Albania are construction, diesel and gasoline S SH EN 590 and S SH EN 228 and the standards for quality management and laboratory accreditation S SH ISO 9001 and S SH ISO 17025.

**Ministry of Agriculture and Food and Consumer Protection:** Albania follows WTO agreements on Sanitary and Phyto-Sanitary Procedures. To import food and agricultural products, companies must receive a license from the National Food Authority (AKU). When applicable, products also must pass sanitary, psychopathologic or veterinary control. Additional information on sanitary requirements can be obtained from the Ministry of Agriculture ([www.mbumk.gov.al](http://www.mbumk.gov.al)) and the National Food Authority ([www.aku.gov.al](http://www.aku.gov.al))

**National Center for Drug Control–NCDC** ([www.qkkb.gov.al](http://www.qkkb.gov.al)) represents an institution specialized in the analysis, control, and registration of drugs. It operates under the Ministry of Health and works in accordance with WHO principles. NCDC is the licensing authority for drug imports and maintains the drug registry in Albania.

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## Conformity Assessment

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The conformity assessment body is the General Directorate of Metrology (GDM) [www.dpm.gov.al](http://www.dpm.gov.al) which operates in accordance with the Law “On metrology.” GDM implements the metrology policy in Albania in the three categories: scientific, industrial and legal metrology.

The GDM policy is to develop the national metrology system, in line with European standards; fulfilling the country needs and requirements and to harmonize technical procedures for the conformity of measurements, in order to avoid technical barriers to trade and enhance the quality of life of Albanian citizens.

GDM is a member with full rights of OIML (International Organization of Legal Metrology), EURAMET (European Association of the National Metrology Institutions), IMEKO (International Measurement Confederation) and an associated member of WELMEC (European Cooperation for Legal Metrology) and BIPM-CGPM (General Conference on Weights and Measures). It has also signed cooperation agreements with its counterparts from Austria (BEV), Turkey (TUBITAK-UME), Czech Republic (CMI) and (UNMZ), Macedonia (BoM) and Slovenia (MIRS).

## Product Certification

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Product certification is done on a voluntary basis, unless specifically provided otherwise under law. Most legal product certifications concern sanitary characteristics of foodstuffs and medicine.

As of today, Albania does not have any Mutual Recognition Agreements with any foreign organizations. However, DPS had previously signed cooperation agreements with its counterparts from Macedonia ISRM, Montenegro ISME, Russia, Turkey TES and Bosnia BAS. In 2012 DPS signed a new agreement with its Croatian counterpart HSZ and a cooperation memorandum with Azerbaijan.

## Accreditation

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The Albanian Accreditation Directorate (DPA) is recognized by the Albanian Government as the single national accreditation body to assess, in concordance with internationally agreed standards ISO, organizations that provide certification, testing, and inspection and calibration services. DPA operates a management system in line with the requirements of S SH ISO/IEC 17011. It is a full member of the International Laboratory Accreditation Cooperation (ILAC) and of the International Accreditation Forum (IAF) and since November 2011, an associate member of the European Accreditation Organization EA.

Accreditation of laboratories is not compulsory for every sector. It is, however, mandatory for laboratories dealing with safety and health issues.

## Publication of Technical Regulations

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Approved technical regulations are published in the Official Gazette which can be found at the following address [www.qbz.gov.al](http://www.qbz.gov.al) . Also each agency publishes its own publications. DPS publishes a quarterly standards bulletin (in Albanian) and the annual Catalogue of Albanian Standards. DPS is, according to the law, the National Authority for Notifications and a reference for draft standards, technical rules and procedures for conformity assessment.

Proposed technical regulations are not easily accessible to the public. With proposed regulations, however, the DPS notifies WTO officials in order to solicit comments.

## Labeling and Marking

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According to the law on food, all food products destined for end consumers must have labels in Albanian. Labels for food products intended for end-consumers must be printed in Albanian and should include: name of the product, ingredients, quantity of special ingredients or categories of ingredients, net quantity/weight/volume, expiration date, manner of storage, pertinent consumer warnings and importer's full address.

Labeling on the non-food products is less specific regarding the category of products that should be labeled in Albanian. The law for the protection of the consumers approved in 2008 requires that products destined for end consumers have labels in the Albanian language with all the info necessary for the address of the producer and/or importer and any other identification feature of the producer, weight, dimensions and any other characteristic for the identification and use of the product.

## Contacts

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General Directorate of Standardization  
Mr. Albert Brojka  
Director  
Rruga "Mine Peza", Nr. 143/3,  
Tirana, Albania  
Phone: + 355 (4) 224 7176  
Fax: + 355 (4) 224 7177  
Email: [brojka.a@dps.gov.al](mailto:brojka.a@dps.gov.al)  
<http://www.dps.gov.al>

National Food Authority  
Mr. Artan Gjergji  
Director  
Rruga Muhamet Gjollësja, 56,  
Tirana, Albania  
Phone: +355 (4) 225 2658  
Fax: +355 (4) 225 2658  
<http://www.aku.gov.al>

Accreditation Directorate  
Mr. Gezim Karapici  
Director

Blloku Vasil Shanto, Rr " Viktor Eftimiu", Ish Godina e KESH-it, kati i II-të  
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Phone: +355 (4) 226 9097 /226 9325  
<http://www.dpa.gov.al>

General Directorate of Metrology  
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A/Director  
Adresa: Autostrada Tiranë-Durrës, km 10  
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Phone: +355 (4) 223 3462  
Fax: +355 (4) 222 8244  
E-mail: [metrology@dpm.gov.al](mailto:metrology@dpm.gov.al)  
<http://www.dpm.gov.al>

Points of Contact at the U.S. Embassy are:

Mr. Donald Brown (Note: Mr. Brown will arrive in Tirana in August 2013)  
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## Trade Agreements

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Albania joined the WTO in 2000 and applies WTO rules on import licensing. From October 1999 to December 2006, Albanian exports to European Union (EU) countries benefited from an asymmetric regime in the form of autonomous measures. Therefore,

Albanian exports were subject to various reductions and discounts on duties when entering the EU market. The regime was applicable both to agricultural and industrial goods.

On June 12, 2006, Albania signed the Stabilization and Association Agreement (SAA) with the EU after prolonged negotiations. A vital step for eventual EU membership, the SAA established a free trade area between Albania and the EU over a course of 10 years. The Interim Foreign Trade Agreement (part of the SAA) entered into force on December 1, 2006. This liberalized trade relations between the EU and Albania in terms of tariff barriers for both agricultural and industrial goods. The SAA was ratified on April 2009 and supersedes the Interim Agreement which is now an integral part of the SAA.

Trade with neighboring countries has improved since 2003, when the first bilateral Free Trade Agreement (FTA) entered into force. On December 19, 2006, all of Albania's bilateral trade agreements with countries in the region were consolidated into the multilateral Central European Free Trade Agreement (CEFTA), which includes eight countries (Albania, Macedonia, Montenegro, Kosovo, Moldova, Croatia, Serbia and Bosnia and Herzegovina). CEFTA officially came into effect on July 26, 2007. Albania's trade with its neighbors has experienced modest growth from a low base and is inhibited in part by poor infrastructure such as ports and roads.

Albania also has an FTA with Turkey (signed in 2006 and entered into force on May 2008). In June 2009, Albania signed an FTA with the European Free Trade Association (EFTA). EFTA member states are Iceland, Liechtenstein, Norway and Switzerland. The agreements with Liechtenstein and Switzerland entered into force in November 2010 and the agreements with Iceland and Norway entered into force during 2011.

## Web Resources

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<http://www.mete.gov.al>  
<http://www.dogana.gov.al>  
<http://www.dps.gov.al>  
<http://www.dpmk.gov.al>  
<http://www.albanianaccreditation.gov.al>  
<http://www.mbu.gov.al>  
<http://www.moh.gov.al>  
<http://www.qkqb.gov.al>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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Albania has put in place a liberal foreign investment regime with the goal of increasing FDI. The Government of Albania (GOA) has taken measures to improve the overall business climate in the country by streamlining business procedures through e-government reforms and undertaking comprehensive structural reforms to both improve relevant legislation in a variety of sectors and lower fiscal burdens for companies. 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.

#### *Legal Framework*

The 'Law on Foreign Investment' is designed 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.

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

According to the 'Law on Foreign Investments' special state protection is also granted to real estate investments under the Albanian Concession Law. This applies to immovable property made available to the foreign investor by the Albanian state or an immovable property over which the foreign investor has rights based on a valid, legal, public document or act issued by a competent state-entity or public authority, where such investment exceeds or is foreseen to exceed the value of EUR 10 million. Under the special state protection, the foreign investor is represented in the judiciary process by the Albanian state and any injunction order issued by the court shall be executed over state properties.

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.

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, 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. Provisions regarding domestic and international commercial arbitration are incorporated into the Albanian Code of Civil Procedure. However, many companies complain about the sluggishness of the courts and the endemic corruption in the judiciary. The continued delay in the establishment of the Administrative Court is another factor that lengthens the time of court proceedings.

#### *Taxation*

Albania's tax system does not discriminate against foreign investors; no distinction is made between foreign and domestic investors. Reforms are ongoing to increase the efficiency of tax administration and to reduce corruption. In 2008, Albania reduced corporate income tax from 20% to 10% and cut social security contributions paid by employers to 15%. Albania now has a flat 10% tax on both personal and corporate income and a VAT of 20%. Employers currently contribute 15% and 1.7% respectively of employees' salary for state social security and health programs.

A major concern for the business community is reference prices (alternately called market prices) that customs officials use to calculate dues on imported goods, although the GOA claims the use of reference prices is limited. Reference prices are also used by tax authorities to determine salaries (for the purpose of calculating personal income tax, social and health contributions) as well as real estate transactions.

#### *Visa requirements*

Visa requirements to obtain residence or work permit requirements are straightforward and do not pose an undue burden on potential investors. There are no discriminatory or preferential export and import policies affecting foreign investors. Albania has no local content requirements.

The 'Law on Entrepreneurs and Commercial Companies' sets guidelines on the activities of companies and the legal structure under which they may operate. The law was updated 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. (See "establishment" below for other forms.)

#### *Business Licenses*

The National Business Registration Center, established in September 2007, 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. Business licensing has also been streamlined with the opening of the Business Licensing Center in July 2009. As a result, many licenses were abolished and a broad simplification of licensing procedures has been implemented across several sectors.

#### *Public Procurement*

Albania improved public procurement procedures by introducing an e-procurement law in 2006. Direct tendering has been abolished (except for defense procurements) and criteria to identify abnormally low bids have been introduced (although not fully in line with the *acquis*.) The 2010 amendments of the law established the Public Procurement Commission (PPC), transferring the claims-reviewing function from the Public Procurement Agency (PPA) to the Commission. (Previously the PPA was responsible for both policymaking and implementation of the law, as well as with reviewing the claims.) The Public Procurement Advocate, established in 2008, performs functions similar to an ombudsman by safeguarding the rights and interests of bidders against acts or omissions by contracting authorities. Regardless of legal improvements, companies confront a nontransparent process 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. A lack of enforcement of existing laws is also a common challenge foreign companies grapple with.

#### *Concessionary Projects*

The 2006 'Law on Concessions' established the framework for promoting and facilitating the implementation of privately financed concessionary projects. The law aims to enhance transparency, fairness, efficiency and long-term sustainability in the development of infrastructure and public service projects. One of its major amendments includes improved regulation for unsolicited proposals and of public-private partnerships in general. The law applies to the following sectors:

- electricity and heating: generation and distribution ;
- health;

- education and sport
- IT and database infrastructure: service and maintenance ;
- natural gas distribution;
- prison infrastructure;
- public service provision and management contracts, including those related to sectors specified above.
- recycling projects, rehabilitation of land and forests, in industrial parks, housing, governmental buildings,
- solid waste: collection, transfer, processing and administration ;
- telecommunication;
- tourism and culture;
- transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking facilities, public transport);
- water: production and distribution, treatment, collection distribution and administration of waste water, irrigation, drainage, cleaning of canals, dams;

In order to promote investment in priority sectors, the GOA may offer concessions to local or international investors for the symbolic price of one Euro. The Government may, with the approval of the Minister of Economy, authorize concessions in other sectors besides those listed. The law does not apply to concessions that require a separate operating license, unless that is included in the framework of the concession agreement. Albania has completed most privatizations of state-owned enterprises with only a few left. These privatizations are to be carried out by open international tender or auction.

Outstanding privatizations include: state-owned insurer INSIG, state-owned oil company Albpetrol, 16% of telecom operator Altelecom and its constituent Eagle Mobile, and the privatization of real estate owned by the military. The privatization process for four small Hydropower Plants (HPPs) is expected to be finalized in early 2013 and is ongoing for the oil company Albpetrol.

The GOA does not screen foreign investment; U.S. investors are extremely popular with both government officials and ordinary citizens. Companies interested in entering the Albanian market should contact the Albanian Investment and Development Agency (AIDA), which provides direct assistance to investors, promotes SMEs, Albanian exports, and tracks FDI.

#### *Key Benchmarks*

(Corruption Perception Index, Heritage Economic Freedom, WB Doing Business, and U.S. Millennium Challenge Corporation Scorecard)

	2013	2012	2011	2010	2009	2008	2007
TI Corruption Index	n/a	3.3	3.1	3.3	3.20	3.40	2.90
Heritage Economic Freedom	n/a	65.1	64	66	63.70	63.30	61.38
World Bank - Ease of Doing Business (rank)	85	82	77	81	86	135	120
MCC Government Effectiveness	n/a	n/a	n/a	0.08	0.00	-0.15	-0.33
MCC Rule of Law	n/a	n/a	n/a	-0.24	-0.22	-0.20	-0.47

MCC Control of Corruption	n/a	n/a	n/a	0.09	-0.12	-0.30	-0.34
MCC Fiscal Policy	n/a	n/a	n/a	-4.20	-3.60	-3.98	-4.41
MCC Trade Policy	n/a	n/a	n/a	85.80	75.80	63.20	57.40
MCC Regulatory Quality	n/a	n/a	n/a	0.60	0.24	0.01	-0.01
MCC Business Start Up	n/a	n/a	n/a	0.98	0.97	0.97	0.39
MCC Lands Rights Access	n/a	n/a	n/a	0.87	0.81	0.73	n/a
MCC Natural Resource Management	n/a	n/a	n/a	97.29	79.65	79.43	n/a

Moody's Investors Service assigned Albania its first-ever sovereign rating in 2007. In November 2012, Moody's rated the country ceilings for local-currency debt and deposits to "Ba1" from a respective "A3" for local-currency debt and "Baa1" for deposits. The ceiling for foreign-currency bonds was reassessed to "Ba2" from a previous "Ba1" rating, while the ceiling for foreign-currency deposits remained "B2".

## Conversion and Transfer Policies

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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. The Regulation on Foreign Exchange Activities (FX Regulation) amended in September 2009 is the most specific piece of legislation regarding the issue.

### *Capital Controls*

As a general rule, 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 if the BOA so decides, in order to preserve the foreign exchange rate or its official reserves. In practice, the BOA rarely uses such measures. In 2009, the BOA 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 and its negative effects on the domestic sector. It also asked that banks not distribute their dividends but instead use it to increase shareholders' capital. The restriction was lifted in 2010.

The Albanian currency is the 'lek' and it follows a floating free regime that is convertible at banks and exchange bureaus. 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. Albanian authorities do not engage in currency arbitrage because it is not viewed as an efficient instrument to attract foreign investors. Foreign exchange transfers can only be carried out by licensed entities (domestic banks, foreign bank branches, and foreign exchange offices) that are required to report their foreign exchange activities to the BOA on a regular basis. These entities are also obliged to complete and keep all documentation required for transfers abroad. Foreign exchange is readily available despite the fact that the exchange market in Albania remains small and daily transactions do not exceed USD 20 million.

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 is to be transferred. Such persons must also submit a declaration on the source of the funds to be transferred. Average delays for remitting investments returns are those defined by banks themselves and in general do not pose a problem to investors. However, a serious issue for both domestic and foreign investors remains VAT reimbursement from the tax department, as delays can exceed 60 days and routinely last several months. Albania lacks a legal parallel market to provide alternative payment instruments in lieu of payment in hard currency.

Both Albanian and foreign citizens entering or leaving the country must declare assets in excess of lek 1,000,000 (approximately USD 10,000) 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 detention.

## **Expropriation and Compensation**

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The Albanian Constitution guarantees the right of private property. According to Article 41, expropriation or limitation in the exercise of a property rights can occur only 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 including but not limited to roads, energy infrastructure, water works, airports, etc. However, compensation has generally been below market value and some owners have complained publicly about the compensation process being slow and unfair. There are many ongoing disputes regarding properties confiscated during the communist regime. The restitution and compensation process that started in 1993 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 the case to the European Court of Human Rights in Strasburg, France.

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. However, the process is not expected to be completed in the near term due to the large number of requests, the large financial cost associated with the process, and the slow pace of compensation with similarly valued property.

## **Dispute Settlement**

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Legal System: Albania has a civil law system similar to that of most other European countries. The Albanian Constitution provides for a clear separation of legislative, executive, and judicial branches; thus supporting the independence of the judiciary. Civil Procedure in Albania is governed by the Civil Procedure Code enacted in 1996. The civil court system consists of District Courts in the first instance, appellate courts in the second instance, and the Supreme Court in the third instance. Outside this system there

is another special court, namely the Constitutional Court which, upon request, reviews whether laws or subsidiary legislation are in compliance with the Constitution and also protects and enforces the constitutional rights of citizens and legal entities. The District Courts are organized in special sections for adjudication of family disputes, commercial disputes, and administrative disputes. Parties may appeal the judgment of the first instance courts within 15 days, while Appellate Court judgments may be appealed within 30 days to the Supreme Court.

As Albania does not have a commercial code, legislation is encapsulated in 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; and Sports Law.

Albania has enacted and introduced laws and subsidiary legislation in respect to property rights and contract rights. The courts, the courts' bailiffs, and the private bailiffs are the authorities empowered by law to respectively issue the writ of execution and enforce the claims of parties described therein. According to the Albanian Civil Procedure Code, foreign court judgments are recognized and enforced by the Court of Appeal in a summary proceeding.

#### *Bankruptcy*

Bankruptcy is governed by the 2002 'Law on Bankruptcy,' amended in May 2008. It is similar in organization to the German bankruptcy law. The Bankruptcy Law, as amended, 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 new insolvency law established time limits for insolvency, professional qualifications for insolvency administrators, and an Agency of Insolvency Supervision to regulate insolvency administrators. A simplified insolvency procedure for small businesses is also in place. Nonetheless, the Law on Bankruptcy has reportedly never been used and there have been no bankruptcy procedures to date vice a voluntary liquidation procedure.

#### *Dispute Settlement*

The three possible methods of dispute resolution in Albania are mediation, arbitration, and the Court system. The effective settlement of disputes is rare in Albania; the judicial system is viewed by the business community to be slow and inefficient, and a lack of transparency and endemic corruption remain challenges to any settlement process. The Albanian Code of Civil Procedure requires the courts to complete judgment of disputes within a reasonable timeframe but it does not provide for a specific deadline for commercial disputes. The judgment of commercial litigation submitted before an Albanian Court (including First Instance, Appellate, and Supreme Court) takes an average of five years. Court cases are lengthy and costly for businesses and, as a result, there is a preference to resolve disputes without seeking a judicial remedy.

#### *Arbitration*

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.

Under the Albanian Constitution, ratified international agreements prevail over domestic legislation. Albania has signed and ratified the 1966 Convention "On the Settlement of Investment Disputes" between States and Nationals of Other States (Washington Convention) as well as the Convention of 1958 "On the Recognition and Enforcement of Foreign Arbitral Awards" (New York Convention). It has also ratified the 1927 Convention and the European Convention on Arbitration (Geneva Convention).

A new law on commercial arbitration, still in draft form, would regulate domestic and international arbitration procedures and transpose the provisions of the United Nations Commission on International Trade Law (UNCITRAL), which in turn, incorporates the New York Convention provisions. International arbitration proceedings may currently be conducted through either of these ratified international conventions. Domestic arbitration continues to be governed by the provisions of the Civil Code Procedure which is more or less in line with UNCITRAL arbitration. A private arbitration center also exists: the Albanian Commercial Mediation and Arbitration center (MEDART), which is a service center that was established under a World Bank funded legal and judicial reform project in 2001.

In order to have a settlement recognized, a case must be brought before the Court of Appeals, which must not enter into the merits of the case when assessing the solicitation for recognition and enforcement of the award. The Albanian Appellate Court may refuse to recognize the foreign arbitral award on the grounds that:

- the foreign arbitration has no jurisdiction to resolve the dispute, and/or
- the defendant/respondent was not duly notified if the foreign arbitration has ruled in its absence, and/or
- the same case between the same parties is subject to a decision of the Albanian courts, and/or
- Albanian courts are examining an action filed with the Albanian courts before the foreign arbitration award became final and enforceable, and/or
- the foreign arbitration award is issued in breach of the foreign country legislation and/or
- the award does not comply with the basic principles of the Albanian legislation (i.e. public policy)

Generally procedures for the recognition of a foreign arbitral award last one month and the Court's decision can be appealed to the Supreme Court by either party. The appeal must be filed within 30 days from the date of decision or notification of the other party (if absent). However, the appeal process does not suspend enforcement of the award unless ordered by the Supreme Court upon special request submitted by the defendant. 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.

Albania has no requirements that are inconsistent with the WTO Trade-Related Investment Measures (TRIMs) obligations. Albanian law provides for equal treatment of foreign and domestic investors and does not generally establish performance requirements, export quotas, or incentives specific to foreign investors, with a few exceptions. One important exception is a requirement for the purchase of commercial property by foreigners: such a purchase can be made only if the investor plans to improve the value of the property by three times the purchase price.

Incentives are regulated by the 2005 'Law on State Aid' and are designed to facilitate the development of specific economic activities or to promote national culture and heritage priorities. The law governs all sectors of manufacturing and services, with an exception of agriculture and fisheries, and applies to both central and local government, as well as other entities acting on behalf of the state that confer benefits to particular enterprises. Incentives include:

- Tax exemption of dividends designated for investments;
- subsidized leases of state-owned enterprises
- GOA (Decision of Council of Ministers No. 529 dated June 9, 2011) can lease public property or grant a concession for the symbolic price of 1 euro if the properties will be used for *manufacturing activities* and the investment exceeds Euro 10 million.
- GOA can lease public property or grant a concession for the symbolic price of 1 euro if the activity addresses *social and economic issues in a certain area*. Criteria and terms are decided on a case by case basis through a decision of Council of Ministers;
- In 2012, the GOA removed the 20 percent VAT on all machinery and equipment for investments worth more than USD 500,000;
- Apparel and footwear producers are exempt from 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;

#### *Energy Sector Incentives*

GOA ensures favorable pricing for the sale of electricity generated from new hydro power plants with less than 15MW installed capacity for a period of 15 years, approved annually by the Energy Regulator. The Law on Concessions establishes the necessary framework for promoting and facilitating the implementation of privately financed concessionary projects. (See Concessionary Projects above.)

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. GOA applies restrictions only on the purchase of real estate: agricultural land cannot be purchased by foreigners, 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.' For some business operations, licenses are needed. The National Licensing Center (NLC) became operational in 2009 and serves as a one-stop-shop for business licenses. For projects in the energy sector, there is a separate one stop window streamlining procedures for all licenses needed in energy projects. More information on the types of licenses and application procedures can be found at [www.qkl.gov.al](http://www.qkl.gov.al)

The 2007 'Law Establishing the National Registration Center' (NRC) allows business entities to be registered in a single place, in one day, for one Euro. More information on NCR can be found at [www.qkr.gov.al](http://www.qkr.gov.al). Both NLC and NRC were established with assistance from the Millennium Challenge Corporation Albania Threshold Program, as e-government initiatives, and save investors valuable time in establishing and carrying out business operations, while also increasing transparency and reducing opportunities for corruption.

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 (Shpk); Joint Stock Company; Branches and Representative Offices; and Joint Ventures. More details can be found by visiting NLC at [www.qkl.gov.al](http://www.qkl.gov.al)

## **Protection of Property Rights**

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### *Real Estate*

Real Estate is registered at the Real Estate Registration Office or Registrars Office. The procedures are cumbersome and there are frequent issues regarding claims to property titles. Nonetheless, recent changes in legislation will 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 properly check documents and follow up procedures for the registration of the property.

Property disputes are problematic in Albania. In 1990, following the fall of communism, the GOA undertook reforms to acknowledge ownership rights for property that had been expropriated during the communist regime. The property restitution and compensation process started in 1993 and remains uneven and unresolved to this day. More lucrative land in high value coastal areas has not yet been fully registered due to existing disputes over titles. The legalization process to address large scale illegal construction started in 2006 and is also ongoing. Illegal construction is a major impediment to securing property titles. The number of informal buildings is estimated to be 350,000 and comprises a surface area of 320,000 hectares. (See 'restitution', above).

Despite some progress, immovable property rights (land rights) are not well defined. Property legislation has developed in a piecemeal and uncoordinated way resulting in overlapping property titles and lengthy legal disputes. The uncoordinated and haphazard government response has aggravated this already complex property issue. The improper functioning of the land registry system, the large presence of illegal

construction, and widespread corruption all contribute to the most daunting and pressing challenge the GOA faces: fair and open property restitution.

Currently, enforcement of property rights is pursued in the civil court system. An overwhelmingly large number of civil cases in the Albanian courts involve property issues while many property disputes linger for years before reaching a final ruling. This has resulted in a large backlog. The lack of enforcement of court decisions is another issue of concern. This has led to an increasing number of Albanian citizens filing suit with the European Court for Human Rights in Strasbourg against the GOA over property claims.

These unresolved property issues have undermined efforts to develop a functional land market and have dampened FDI inflows. To address the negative impact, the Albanian government approved a law in 2010 that grants special protection to investments of an immovable property, made available to the foreign investor by the Albanian state; or an immovable property over which the foreign investor has rights based on a valid, legal, public document or act issued by a competent state-entity or public authority, where such investment exceeds or is foreseen to exceed the value of Euro 10 million (USD 13 million). Under this special state protection, the foreign investor is represented in the judiciary process by the Albanian state and any injunction order issued by the court shall be executed over state properties.

### *Copyrights*

Overall, copyright and IPR protections are weak and the efficacy of the national strategy for the enforcement of copyrights and intellectual and industrial property rights approved in 2010 remains to be seen. The strategy aims to strengthen administrative capacity, improve inter-institutional coordination, and raise awareness of the benefits of IPR. Meanwhile, U.S. companies are advised to consult an attorney experienced in IPR issues and avoid potential risk by establishing solid commercial relationships and drafting tight contracts.

Execution of penalties continues to be a major concern in the protection of IPR and the potential 'Law on Copyrights' has remained in draft form since 2009. In March 2012, Albania amended provisions on the Criminal Code to more adequately address infringement of industrial property rights and compliance with TRIPS Agreement obligations. However, the amendments do not cover the violations that would be covered by a new Copyright Law. Patent regulations were also amended to comply with the Patent Law Treaty and the European Patent Office. Regardless of the legal framework, IPR protection in Albania is weak.

Albanian law protects copyrights, patents, trademarks, stamps, mark of origin, and industrial designs. But there remains a significant gap between the law's intent and how it is enforced. IPR rules are poorly enforced in Albania and IPR infringement remains pervasive.

Albania has been updating its legal framework for the protection of Copyrights and Intellectual and Industrial Property Rights and the main institutions responsible for IPR enforcement include the Albanian Copyright Office (ACO), the General Directorate of Patents and Trademarks (GDPT), the General Directorate for Customs, Tax Inspectorate, Prosecutor's Office, police, and the courts.

The Albanian Copyright Office (ACO), established in 2006, is the main institution responsible for monitoring and implementing the law on copyright approved in 2005. However, the ACO lacks administrative and institutional capacity and law enforcement on copyrights remains incomplete and violations of copyrights are rampant. The number of cases of violation of copyright law brought to court remains low. The ACO sanctions are not effective and the low fines it levies 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 uneven.

#### *Patents and Trademarks*

The Directorate General for Patents and Trademarks (GDPT) is responsible for the registration and administration of patents, commercial trademarks and service marks, industrial designs and geographical indications. In 2008, GOA approved the Industrial Property Law and a number of by-laws and regulations, however, further capacity building and additional human resources are needed for GDPT. The General Directorate of Customs includes a directorate for the protection of the IPR and has the powers to act *ex officio*.

In 2010 Albania became a contracting party to the WIPO Patent Law Treaty and a full member of the European Patent Organization.

## **Transparency of Regulatory System**

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Albania's regulatory system has improved in recent years but still faces many challenges. Improper and uneven enforcement of legislation, rigid bureaucracy, frequent changes to legislation, and lack of transparency in developing legislation and regulations are all a burden for the business community. Foreign investors often note the lack of proper law enforcement and extensive red tape that leads to the prevalence of corrupt procedures and practices.

Albania has adopted legislation and established the agencies that superficially provide transparent rules and regulations to foster competition and attract investment. The 2003 'Law on Protection of Competition' has been amended several times; the Agency for the Protection of Competition was established in 2004. The law seeks to secure "clear game rules." However, the legislation's uneven enforcement is reported to be 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 different 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 once stop shop centers for registration and licensing. Although business registration is an easy step, licensing still remains cumbersome in some sectors. A 2008 Company Law includes rules on disclosure requirements, formation, maintenance and alteration of capital, mergers and divisions, takeover bids and 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.

Proposed laws and regulations are sometimes not published in draft form for public comment and are not discussed thoroughly with stakeholders. Businesses have difficulty obtaining copies of laws and regulations, especially in their draft form. Even when there is a public consultation on certain legal initiatives, the stakeholders' input is rarely incorporated into the final version. Although Albania has taken some steps forward to improve business advocacy by establishing the Business Advisory Council, business participation in the legislative process remains limited. Frequent changes to legislation are also a concern for the business community.

## **Efficient Capital Markets and Portfolio Investment**

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In the absence of a stock market, Albania's banking sector remains the main channel for business financing. It is sound, profitable, and well-capitalized. The sector is fully private and consists of 16 banks, most of which have foreign shareholders. The Austrian Raiffeisen Bank predominates with around 27% of all banking sector assets, followed by the Turkish National Commercial Bank with 19%. Market share of Greek banks has significantly decreased in recent years, having been replaced by French and Italian banks. The two main Albanian banks possess just 10% of sector assets. Raiffeisen, Intesa San Paolo, Societe General, and Alfa bank are the most internationally recognized banks.

Albania's banking sector has largely escaped the global financial crisis due to a low amount of loans relative to total deposits and a lack of a domestic mortgages impacted by real estate bubbles. The sector remained profitable even during the peak of the financial crisis when it suffered a reduction of deposits by about 15%. Profits through September 2012 reached USD 100 million with a 0.8% return on assets and 9% return on equities. Deposits have significantly increased over the last few years, reaching almost USD 1 billion or 44% more than at the end of 2009 when deposits recovered to their pre-crisis level. The repatriation of savings from thousands of Albanian emigrants in Greece is the main factor behind growth in deposits.

In 2012, commercial banks tightened lending standards due to the economic slowdown and the rise of nonperforming loans. In November 2012, nonperforming loans reached 23% of all private loans compared to 18.7% a year ago and to just 4.3% before the financial crisis of 2008. However, capital adequacy at 15.9% -far above Basel requirements- indicates the sector currently has sufficient assets to withstand the negative trend.

In November 2012, total assets of the banking sector were estimated at USD 11 billion, 8% higher than the year before and consisting mostly of bank deposits. Retail deposits represent almost 86% of the total deposits which are equally denominated in local and foreign currency. Market concentration remains fairly high as the largest five largest banks dominate the market with about 74% of total assets. The banking sector continues its expansionary phase and as of November 2012, there were 556 banking outlets in the country, compared to 548 in the prior year. (There were only 127 in 2005.) Also the number of debit/credit cards, ATM, and Point-of-Sales terminals continues to grow

rapidly. However, the annual volume of transactions with debit/credit cards remains limited to approximately 10% of total deposits.

The BOA 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 BOA restricted the distribution of domestic banking sector profits in order to maintain sufficient liquidity in the sector. The restriction was lifted in July 2010. In 2012, BOA further loosened monetary policy to stimulate economic growth. The key interest rate has been a historical low of 4% since July 2012.

#### *Commercial Credit*

The GOA has adopted policies promoting the free flow of financial resources as a mechanism to promote foreign investment in Albania. Foreign investors have no special, additional requirements to receive credit from banks operating in Albania. The credit market is quite competitive but interest rates can be high, currently between 12% and 14%. However, most mortgage and commercial loans are denominated in Euros as rate differentials between local and foreign currency average 6%. Commercial banks have improved the quality of services they offer; the private sector has widely benefited from the expansion of these instruments. Nonetheless, businesses report that high interest rates, distrust of the banking system, and high operating costs of banks remain concerns for investors looking for access to credit.

#### *Portfolio Investment*

While portfolio investments remain limited mostly to company shares, government bonds, and real estate, GOA has undertaken different measures to attract foreign investment, such as the 10% flat rate on both corporate and personal income taxes and a 2010 launch of its debut Eurobond in international markets with an attractive interest rate of 7.5%.

### **Competition from State Owned Enterprises**

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The privatization process of State Owned Enterprises (SOEs) in Albania is nearly complete and SOEs are active only in a few sectors (mainly utilities). SOEs are present in energy generation (KESH), water supply, ports, railway, insurance (INSIG), and extraction and sale of oil (the state-owned company Albpetrol is currently undergoing privatization.)

In general, there is no discrimination between public and private companies operating in the same sector but there have been allegations by businesses that state-owned companies were granted preferential treatment in government contracts. SOEs operate as commercial companies in compliance with the 'Law on Entrepreneurs and Commercial Companies.' SOE corporate governance structures include an executive director and a supervisory board comprised of members equally drawn from the Ministry of Finance, the Ministry of Economy, Trade and Energy, and the ministry or institution to which the company reports. According to procedure, the SOE supervisory board reports directly to the government. SOEs are required to submit annual reports and are also required to undergo independent audits. Albania does not have a major sovereign wealth fund.

## **Corporate Social Responsibility**

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There is little domestic awareness of corporate social responsibility (CSR), and CSR initiatives are usually started by foreign companies. CSR legislation remains 'on the books' in Albania, but it has not been fully implemented. Academic instruction on CSR in Albania is in a very early stage of development. Corporate governance courses, environmental engineering, and business ethics curricula have been introduced recently but only at a small number of universities. The UNDP Global Compact and Corporate Social Responsibility project launched in 2007, has organized a number of educational events aimed at informing all stakeholders, government, and media in particular, on their role in raising overall awareness of CSR in Albania, and in increasing knowledge and engagement of business communities in CSR practices.

## **Political Violence**

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Overall levels of political violence are low. However, a political demonstration led by the opposition Socialist Party (SP) turned violent on January 21, 2011. Four protesters were shot and killed with many injured, including police, protesters and bystanders. An investigation into the events surrounding the violence is ongoing.

Albania held its most recent parliamentary elections on June 28, 2009. The new government was formed with a coalition between the ruling Democratic Party (DP) and the Movement for Socialist Integration (LSI). The Socialist Party (SP) returned to Parliament in September 2011, ending a two year boycott resulting from alleged electoral fraud in the 2009 elections. Albania will elect a new parliament on June 23, 2013, which may prompt some politically related conflict near the election date. Small crime, specifically incidents of extortion, theft, and robbery are continuing concerns for the business community. Recent crime statistics also indicate an increase in violent crimes since 2009. Albania is a steady source of stability in the region and has friendly relations with all neighboring countries.

## **Corruption**

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their

obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

*POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.*

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is

available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## Corruption in Albania

Corruption remains pervasive in Albania and affects all aspects of Albanian society. The culture of impunity is widespread and deeply rooted. Ordinary citizens and foreign investors alike can point to the judiciary, uneven enforcement of laws and of property rights, a weak regulatory environment, and opaque government procurement as indicators of endemic corruption. Although the number of corruption cases investigated and prosecuted is rising, conviction rates remain low. Furthermore, high-level corruption cases of politicians or affluent business leaders very rarely end in conviction. Perception of corruption continues to be high and Albania's score in the 2012 Transparency International (TI) Corruption Perception Index stood at "3.3". In 2012, Albania ranked 113 out of 174 countries, down from 87 out of 178 countries surveyed in 2010.

While anti-corruption legislation exists, enforcement lags behind. Albanian legislation has been amended frequently in recent years to strengthen the framework dealing with corruption and organized crime in order to bring Albanian legislation in line with the civil and criminal conventions of the European Union. 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. There are also provisions addressing trading in influence. In March 2012, the Parliament passed amendments to the Criminal Code addressing the cases of bribery by foreign public officials and increasing the penalties for corruption in the private sector, closing existing loopholes in the legislation. In 2012, the Parliament also approved constitutional changes, restricting the immunity of high level public officials and judges, which has been continuously cited as a major impediment to the prosecution of senior officials. Nonetheless, there is not a sufficient track record of investigations, prosecutions, and convictions in corruption cases at all levels including senior officials.

GOA has ratified several international treaties and conventions relating to corruption 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 has also 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 is also a member of the Stability Pact Anti-Corruption Network (SPAI). Albania is not a party to Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Police authorities and the Prosecutor General's Office are in charge of criminal investigations and law enforcement, while the State Audit Commission and internal auditing units within different state institutions, inspect, assess, and report alleged cases of corruption. 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, six more units were established in regions throughout Albania to prosecute corruption and economic crimes outside Tirana. The High Inspectorate for the Declaration and Audit of Assets (HIDAA), established in 2003, collects and audits the annual declaration of assets and properties of mid-high level public officials in central and local executive agencies as well as politicians, and also supervises the prevention of conflicts of interest.

The High State Control is the highest institution of economic and financial control. It supervises the economic activity of state institutions and other state juridical persons as well as the use and preservation of state funds by the central and local government

institutions as well as state owned enterprises. The Head of the High State Control is appointed and dismissed by the Assembly upon proposal of the President.

Another institution involved in combating corruption is the Inter-Ministerial Anti-Corruption Task Force headed by the Prime Minister. This structure serves as a coordinating body for anti-corruption initiatives, namely anti-corruption strategy which is drafted every year. The Anti-Corruption Task Force is supported by the Department of Internal Administrative Control and Anti-Corruption (DIACA) which has relatively wide-ranging powers to investigate allegations of irregularities by public officials. DIACA serves as an Inspectorate for all central executive public institutions and is mandated to investigate allegations of procedural irregularities and irregularities in the handling of public finances. It reports to the Prime Minister. In the Judiciary, the High Council of Justice is in charge of appointment and removal of judges and prosecutors in the first and second instances. Specialized inspectors investigate allegations of misconduct of judges and the High Council of Justice then takes the relevant disciplinary measures. Transparency International (TI) Albania is the main international non-governmental (NGO) watchdog organization in Albania. There are other NGOs that perform watchdog functions regarding corruption but in general the role of the civil society in denouncing corruption is weak.

## **Bilateral Investment Agreements**

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A bilateral investment treaty between the United States and Albania was signed in 1995 and entered into force in January 1998. This treaty, inter alia, ensures that U.S. investors receive national or most-favored-nation treatment and provides for dispute settlement. As of December 2012, Albania has concluded bilateral investment treaties in force with the following countries:

Austria, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Denmark, Egypt, Lithuania, Finland, France, Germany, Greece, Hungary, Israel, Italy, Kosovo (UNMIK), Kuwait, Macedonia, Malaysia, Moldova, Netherland Antilles, Netherlands, OPEC Fund for International Development, Poland, Portugal, South Korea, Romania, Russia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, USA, Tunisia, Malta and Azerbaijan.

Agreements signed but yet to enter into force: San Marino, Cyprus, Qatar and Republic of Kosovo.

Agreements in the process of being negotiated: Saudi Arabia, Georgia, Morocco, Belarus, and Canada.

### **Tax Treaties**

Albania has also signed agreements for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital with several countries. These agreements supersede Albanian domestic laws. The following countries have ratified treaties for the avoidance of double taxation with Albania: Poland, Romania, Malaysia, Hungary, Turkey, Czech Republic, Russia, Macedonia, Croatia, Italy, Bulgaria, Sweden, Norway, Greece, Malta, Switzerland, Moldova, Belgium, China, France, Egypt, Netherlands, Kosovo, Serbia, Montenegro, Austria, Slovenia, Latvia, South Korea, Bosnia and Herzegovina, Ireland, Luxemburg, Spain, Estonia, Germany, Kuwait, and Singapore.

Tax treaties negotiated, awaiting signature: Slovakia, Lebanon, Ukraine and India.

Tax agreements in process: Qatar, Pakistan, Thailand, Mexico, Indonesia, Australia, Morocco, Vietnam, United Arab Emirates and Syria.

## **OPIC and Other Investment Insurance Programs**

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The U.S. Overseas Private Investment Corporation (OPIC) signed a bilateral agreement with Albania in 1991. Albania has also 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), 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 visit:

<http://www.opic.gov>

Overseas Private Investment Corporation  
1100 New York Ave., NW Washington, DC 20527

Tel: 202-336-8400

Email for general business inquiries to: [info@opic.gov](mailto:info@opic.gov)

## **Labor**

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Labor relations between employees and management are regulated by individual employment contracts pursuant to the 'Law on the Status of the Civil Employee and the Labor Code.' Albania was an International Labor Organization (ILO) member from 1920-1967, is currently an ILO member since 1991, and adheres to all basic ILO conventions protecting worker rights. The GOA 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 Labor and Social Affairs, National Employment Service, State Labor Inspectorate, and private actors such as employment agencies, and vocational training centers.

Both employees and managers have the right to form trade unions (Labor Code, article 176). 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. 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). Employment contracts can be for a limited or an unlimited period, but as a general rule, they cover an unlimited period of duration if not specified in the contract.

Albania has a labor force of about 1.06 million people; the official unemployment rate during the third quarter of 2012 stood at 13.32%. Almost 45.5% of the population is considered 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.

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. University education remains uneven and studying abroad remains the best option for qualified students. The average salary in public administration during third quarter of 2012 was 51,270 lek (USD 480) per month. In July 2012, the GOA raised the minimum monthly wage applicable to both public administration and the private sectors to 21,000 lek (USD 200), which is still among the lowest in the region.

### **Foreign-Trade Zones/Free Ports**

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The GOA approved the 'Law on the Establishment and Functioning of Economic Zones,' on July 19, 2007, to replace the 2000 'Law on Free Zones'. The newer legislation establishes free trade zones and industrial parks near ports, airports, or at the crossroads of international transport, and makes their establishment and the functioning more efficient. Economic zones are proposed by the Ministry of Economy and approved by the Council of Ministers on a case-by-case basis. The latter has the power to define the status of the zone (either a "free zone" or an "industrial park"), areas and boundaries, the economic activities to be performed within the zones, time constraints, the type of permission (lease, concession, etc.), and procedures for selection of the "developer." The latter is based on criteria defined in the 'Law on Concessions.'

Following approval of the new law in 2007, the GOA approved the construction of several industrial parks: Koplik, Elbasan, Shkoder, Lezhe, Shengjin, Vlore, and the industrial and energy park in Durres (the largest, with 850 hectares), the last four of which are located near the main ports of Albania. Industrial parks may be used for production, manufacturing, agro-processing, export-import and supporting activities. In 2009 the GOA approved the first free economic zone, adjacent to the Vlore container port. In March 2010, following an open international tender, the GOA selected Zumax AG, operator of the Vlore port, as the developer of the zone. None of these projects have progressed significantly to date.

### **Foreign Direct Investment Statistics**

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Significant foreign direct investment (FDI) inflows started only after 2000, when Albania finally overcame lingering effects of the 1997 pyramid schemes. FDI rose drastically after 2007, fueled initially by large privatizations and later by projects in several sectors including financial services, mining, telecommunications, construction, manufacturing, oil, hydro, and retail. The drastic growth in FDI inflows in the last four years has put Albania on par with countries in the region.

The Bank of Albania reports the following figures for foreign direct investment inflows in Albania from 2000 including data for first three quarters of 2012. Albania's foreign direct investments abroad are insignificant.  
FDI inflows by year (million USD)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
FDI	143	207	135	178	324	258	315	639	874	1,091	925	1,039	709

Source: Bank of Albania

\*BoA estimate for the first three quarters of 2012

This year Bank of Albania published for the first time the FDI stock by country of origin and by industry destination. The data is available only for the period 2007-2010:

FDI stock according to countries (million USD)

Country	2007	2008	2009	2010
Greece	1,056	1,013	892	1,006
Italy	292	464	466	557
Austria	201	272	282	503
Canada	1	12	137	389
Turkey	211	277	311	388
USA	99	127	60	38
Others	626	813	822	788
Total	2,487	2,978	2,970	3,670

FDI stock according to sectors (million USD)

Sector	2007	2008	2009	2010
Extracting industries	14	42	194	460
Processing industries	311	641	536	580
Construction	181	286	246	317
Transportation and Telecommunication	808	559	473	559
Financial Intermediation	785	768	777	905
Production and distribution of electrical energy	14	26	128	170
Other sectors	374	656	616	680
Total	2,487	2,978	2,970	3,620

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
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### How Do I Get Paid (Methods of Payment)

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Trade financing options for imports to Albania have improved in recent years as a result of the development of financial sector which has increased its range of services, their quality, and presence across the country. It has streamlined several procedures and introduced ways to accommodate trade financing requirements. The most commonly used international payment mechanisms are now available by the banking sector to facilitate transactions.

Bank-to-bank trade finance alternatives can be structured with or without a letter of credit. A considerable number of larger importers regularly receive goods under a short-term supplier credit agreement. Importers are free to arrange payments through long-term supplier loans when they make larger purchases. For transactions abroad, the most preferred forms of payment are letters of credit or payments in advance. U.S. Export-Import Bank (Ex-Im) provides insurance policies to U.S. exporters to allow more flexible payment terms.

### How Does the Banking System Operate

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The banking sector is regulated by the Law 9662 “On banks in the Republic of Albania” of December 2006. The banking law stipulates the core principles in conducting banking activity in Albania as well as the guidelines to ensure sound management and administrative procedures for domestic and foreign banks. The banking sector is dominated by commercial banks entirely owned by private shareholders. Currently, there are 16 banks operating in Albania, only two of which only two have major Albanian shareholders. The Austrian bank Raiffeisen remains the predominant bank with approximately 25% of the banking sector’s total assets. The Italian Intesa San Paolo and the French Societe General and Credit Agricole are some other notable international banks present in the Albanian market.

The banking sector in Albania remains sound, profitable, and well capitalized. It has in general been spared from the global financial turmoil, primarily due to the low rate of loans relative to total deposits and the lack of domestic housing/real estate bubble. The sector experienced a 15% reduction of deposits in 2008, but it quickly recovered and by the end of 2009 deposits reached their pre-crisis level. Since then, deposits have increased by approx. 10% annually, providing sufficient liquidity in the system. As of March 2013, total assets of the banking sector amounted to approximately US\$ 12 billion

consisting mostly of bank deposits. The degree of market concentration remains fairly high as the largest five banks dominate the market with about 73% of total assets.

Commercial banks have improved significantly the variety and quality of services for both retail and corporate banking. Banks have expanded their presence countrywide and introduced new instruments and services such as e-banking. The private sector has widely benefited from the expansion of these instruments, but businesses still report that high interest rates, distrust of the banking system, and high operating costs of banks remain concerns for investors looking for access to credit.

Nonetheless, the sector is facing the fallout of the global financial crisis as the number of non-performing loans (NPL) has increased in recent years. In March 2013, the rate of NPLs rose to 23.7% marking another record level. The constant growth of NPL has resulted into higher cautiousness by commercial banks in their lending policy and lower amount of credit into the economy. Outstanding loans to the private sector grew by a mere 1.5% in 2012.

The regulatory framework is well-developed and continues to align itself with international practice. Central Bank of Albania (BOA) has tightened supervision rules over second tier banks as a result of the global financial crisis and the contagion risks posed by regional banks. In the fall of 2011, the BOA adopted new regulations on credit risk management and introduced several amendments to the Law on the Banks that would bolster the independence of local branches from their international parent company. In July 2012, local branches of two Greek banks were transformed into subsidiaries, in line with other foreign banks in Albania.

In 2012, both Standard & Poor and Moody's confirmed their rates for Albania. According to S&P Albania's sovereign debt deserves a B+ long term foreign and local currency while Moody's rated Albania's government debt obligations at B1, with a stable outlook.

Albania also has 19 non-banking financial institutions and 130 savings and loans associations. These institutions target medium businesses that are not primarily served by the commercial banking sector. They offer loans from US\$ 1,000 to US\$ 500,000. A detailed list is in the following address: <http://www.bankofalbania.org/web/Commercial>

## **Foreign-Exchange Controls**

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There are no foreign exchange controls in Albania. The Bank of Albania is entitled to impose exchange restrictions for the making of payments and transfers for capital account transactions. However, such restrictions can only be introduced for a period not exceeding twelve months, and can only be extended for another similar period. In September 2009, the BOA amended the Regulation of Foreign Exchange Controls which does not include any restriction over international financial remittances. Exporting of hard currency by commercial entities, including juridical persons and sole traders must be done through bank transfer.

When the amount of funds to be transferred abroad is large enough to negatively impact Albania's balance of payments abroad the Central Bank reserves the right to break it down into smaller amounts. In 2009, following the global financial meltdown the BOA restricted the distribution of the domestic banking sector profits in order to maintain sufficient liquidity in the sector. The restriction was lifted in July 2010.

Repatriation of income (dividends, royalties and consultancy services) is allowed if no tax liabilities are outstanding in Albania. Transfers for current international payments (imports of goods and services, transportation, interest and principal payments and other purposes defined in the regulation) must be supported by documentation such as invoices, certificates, or transport documents, to the transferring bank. There is a limit of US\$ 10,000 of hard currency and other assets to carry with while crossing border check points. The violation of the rule is subject to penal charges.

## **U.S. Banks and Local Correspondent Banks**

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There are no American banks present in Albania. However, many banks in Albania may have different U.S. correspondent banks and some U.S. banks may have correspondent relations with more than one bank in Albania. As banking relationships can change quickly, the best source of current information on correspondent banking arrangements is the banks themselves. Contact information for all banks in Albania can be found on the Bank of Albania website <http://www.bankofalbania.org>

## **Project Financing**

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In the absence of a stock market, the banking sector remains the main channel for project financing. The entrance of large European banks during the last few years has strengthened competition and has improved the intermediation role of the banking system as a primary developer of the economy. After a spectacular expansion before the 2008 crisis with average annual growth rates of about 50%-mostly due to the very low starting base- credit growth has slowed down considerably after the global financial meltdown. Since 2009, banks have restricted their lending policies and become more cautious in crediting especially for individuals. In 2012, total stock of outstanding loans grew by just 1.5% mainly because of the private sector. In March 2013, loans constituted 48% of total banking assets compare to 50% at the end of 2011. Corporate loans represent almost 75% of banks' credit portfolio.

The cost of borrowing locally remains relatively high, characterized by mid-term loans and high interest rates. However, competition in the sector is driving interest rates down even in the domestic currency. BOA has adopted a relaxed monetary policy and reduced several times the key interest rate for the domestic currency to historical minimums. The last reduction of January 2013 decreased the interest rate to just 3.75% benefiting also by low inflationary pressures. While companies from Albania are free to borrow from foreign banks without restrictions, the inflow of foreign capital for this purpose has been minimal. Domestic banks have limited financial ability to issue credit, which has led some of them to use corporate loans for certain large-scale commercial projects.

## **US based Financing**

### **U.S. Export-Import Bank**

Ex-Im Bank is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. Ex-Im Bank will finance the export of all types of goods or services with the exception of military-related items (although there are exceptions to this rule). In 2005, Ex-Im Bank provided a US\$ 47.6 million long-term loan

guarantee to support Lockheed Martin's sale of an air traffic control navigation system to upgrade Albania's air navigation system.

Ex-Im Bank's major programs include:

- Working capital guarantees that cover 90% of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export
- Export credit insurance policies to protect against the political and commercial risks of a foreign buyer defaulting on payment
- Guarantees of commercial loans to foreign buyers of U.S. goods or services that cover 100% of principal and interest against both political and commercial risks of non-payment
- Direct loans that provide foreign buyers with competitive, fixed-rate financing for their purchases from the U.S.

For more information please visit: <http://www.exim.gov/>

### **U.S. Trade and Development Agency**

The U.S. Trade and Development Agency (USTDA) is an independent U.S. government agency, which promotes American private sector participation in developing and middle-income countries, with special emphasis on economic sectors that represent significant U.S. export potential. Through funding of feasibility studies, orientation visits, specialized training grants, and various forms of technical assistance, USTDA helps U.S. businesses compete for infrastructure projects in emerging markets. USTDA assists in building mutually beneficial partnerships between American companies and local project sponsors, which result in increased U.S. exports, and the completion of high quality, successful projects in host countries. USTDA in Albania has financed projects to study airports, roads, ports, railroads, and the energy sector, as well as increased activities in supporting private sector projects.

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Website: [www.tda.gov](http://www.tda.gov)

### **Overseas Private Investment Corporation:**

Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency that sells investment services to small, medium, and large American businesses expanding into emerging markets around the world. OPIC's three main activities include risk insurance, project finance, and investment funds. OPIC financing through its investment guaranty program and the direct loan program is limited to US\$ 200 million.

OPIC established the Southeast Europe Equity Investment Fund (SEEF) I and II that are managed by Bedminster Capital Management. This fund is capitalized at US\$ 320

million and seeks equity investment opportunities in the communications, healthcare, consumer, and financial service industries across South East Europe and Turkey.

**Contact:**

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Web: <http://www.opic.gov>

**Financing from International Institutions**

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**World Bank:**

Albania has received World Bank assistance across a range of sectors since it became a member in 1991. In 2008, Albania was designated a middle income country by the World Bank and graduated from receiving International Development Association (IDA) concessional flows to qualifying for International Bank for Reconstruction and Development (IBRD) lending. This upgrade influenced the World Bank's activities as spelled out in its Country Partnership Strategy. The current strategy (2011-2014), approved in July 2010 describes the World Bank's programs in Albania. The GOA and civil society have been stakeholders in the adoption of this strategy.

Since Albania joined the World Bank in 1991, the International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) have financed 72 projects in different sectors totaling roughly US\$1.2 billion. Adding GEF and other trust fund resources managed by the World Bank, the Bank's overall financing to Albania is estimated at US\$1.4 billion. World Bank projects invest in the energy, transport, water, business, environment, agriculture, environment, and community development sectors.

**Contact:**

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Fax: +355 (4) 2240 590

Web: <http://www.worldbank.org>

**International Finance Corporation:**

The International Finance Corporation (IFC) serves as the private sector "window" of the World Bank and offers a full range of financial products and services to companies in developing member countries. These services include long-term loans, equity investments, quasi-equity instruments (subordinated loans, preferred stock, income notes), guarantees and standby financing, and risk management (intermediation of currency and interest rate swaps, and provision of hedging facilities).

IFC established its field office in Tirana in December 1997 at the World Bank premises. Albania became a shareholder and member of IFC in 1991. At the end of 2012, IFC's portfolio in Albania stood at US\$ 197 million. IFC's recent investments in Albania include: US\$ 8 million for a 20 percent stake in Enso Hydro Energji to help it build a series of small hydropower projects, and loans and equity investments in Bankers Petroleum and Antea Cement.

IFC's advisory services in Albania operate with the aim of improving the country's investment climate, bettering the performance of private sector companies, increasing access to finance, and attracting private sector participation in development of infrastructure projects.

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Tel: + 355 4 231 401  
Web: <http://www1.ifc.org>

**Multilateral Investment Guarantee Agency:**

The Multilateral Investment Guarantee Agency (MIGA) provides 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; and war and civil disturbance. It provides insurance against risks similar to that offered by OPIC. MIGA and OPIC also have the capacity to work together on a project. MIGA offers long-term (15 to 20 years) political risk insurance coverage to eligible investors for qualified investments.

MIGA offers insurance for new cross-border investment that originates in a MIGA member country and is destined for any developing member country. Examples of investment eligible for insurance may include the acquisition of former, state-owned enterprises as well as investment that promotes the expansion, modernization, or financial restructuring of existing projects. Investment mechanisms that include equity, shareholder loans, shareholder loan guarantees (on loans with a three year plus maturity), technical assistance, management contracts, franchising, and licensing agreements may also be eligible for MIGA guarantees.

Investors may choose up to four types of coverage. Equity investments can be covered up to 90% and debt up to 95%. Coverage duration is typically 15 years but in some cases may be extended to 20 years. MIGA insures investments up to US\$ 200 million with coverage of higher levels of investment possible through the syndication of insurance.

To date, MIGA has issued a variety of guarantees for projects in Albania. The first guarantee of US\$ 1.6 million was issued in February 2000 and covers an Italian investment in a tourism project. The second guarantee of US\$ 7 million was issued in June 2001 and covers the Commercial Bank of Greece's investment in the Intercommercial Bank. In 2010, MIGA issued a US\$ 25 million, 10-year guarantee to ProCredit Holding (PCH) to cover PCH's investment of its Albanian subsidiary.

On February 1, 2012, MIGA issued guarantees totaling \$159.4 million to EVN AG of Austria for its investments in Energji Ashta Shpk (Ashta) in Albania. MIGA's coverage is for a period of up to 20 years for its equity investment and up to 10 years for its loan guarantee. Coverage insures against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

**Contact:**

Multilateral Investment Guarantee Agency  
1818 H. Street, N.W.  
Washington, D.C. 20433  
Tel. (202) 458-9292  
Fax. (202) 522-2630  
Website: [www.miga.org](http://www.miga.org)

**European Bank for Reconstruction and Development:**

The European Bank for Reconstruction and Development (EBRD) has a number of programs available to U.S. investors. The largest EBRD shareholder is the U.S. government and the bank makes loans and offers equity in infrastructure projects with an increasing focusing on private-sector development in Albania. Projects supported by the EBRD are mandated to have open competitive tenders in procurement and therefore represent a good opportunity for U.S. companies to offer goods and services.

As a guideline, the EBRD's minimum financing level is Euro 5 million or US\$ 6.7 million. This minimum requirement maybe waived for projects deemed to be in the national interest of the country. The EBRD has established relationships with a variety of financial intermediaries to provide financing for projects that are too small to be funded by the EBRD to fund directly (or below its Euro 5 million threshold). This allows the EBRD to support the development small and medium enterprises (SME) that are vital promoting growth in the private sector. The EBRD is uniquely positioned to promote the financial sector development of the country as well as to encourage infrastructure rehabilitation which would incentivize foreign direct investment (FDI) in Albania.

By the end of 2012, the EBRD had committed more than US\$ 900 million in more than 63 projects across several sectors of the country's economy, mobilizing and facilitating another US\$ 2 billion of investment. EBRD's portfolio consists of projects in the infrastructure, energy, financial, and corporate sectors. At the end of 2012, 58% of all investment was earmarked for the private sector.

The U.S. Commerce Department is represented at EBRD headquarters.

**Contact:**

Mr. William Center

Advisor/Senior Commercial Officer  
Office of the U.S. Executive Director  
European Bank for Reconstruction and Development  
Tel: +44 (0)20 7338 7493  
Website: <http://www.buyusa.com/ebrd>

For EBRD in Albania, please contact  
Mr. Fabio Serri,  
Head of Office  
European Bank for Reconstruction and Development, Albania  
Drini Tower, 4<sup>th</sup> Floor  
Tirana, Albania  
Tel: +355 (4) 2235 204/2230 580  
Fax: +355 (4) 2230 580

## Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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## Chapter 8: Business Travel

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### Business Customs

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Albania is a relationship-oriented society that places a premium on friendship, hospitality and trust. Business discussions are usually preceded by a series of questions concerning health, family, and the general well being of the all parties. Business meetings generally take place over coffee and the time spent over a coffee is considered an integral part of the meeting and should not be dismissed as a waste of time.

Appointments should be made in advance of a business visit and exchange of business cards is common. Most Albanian businesspeople speak at least one foreign language and the most common are English and Italian. Computer usage is extensive and most of them utilize e-mail and Internet, with many companies now creating their own websites. Summer holidays stretch throughout mid-July till the end of August and it is frequently difficult to reach company management during this period.

Credit cards are accepted in major hotels, western grocery stores, and high-end restaurants. Most retail transactions are still conducted in cash.

Business dress is recommended when meeting with government officials. Meetings with business people and visits to local businesses can be done in smart business casual.

Albanians are a very hospitable people and commonly exchange gifts.

### Travel Advisory

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Business travelers to Albania should remember that the country's transportation network is limited. Despite recent infrastructure improvements in major traffic corridors, the roads in rural areas are often in poor condition. Drivers are aggressive and frequently disregard traffic laws.

Traveling at night outside urban areas is not recommended due to poor road conditions, a lack of adequate street lighting, and general safety concerns. Train service inside the

country is limited and time consuming. Tirana's international airport services the entire country. As in all cases, travelers should take precautions to ensure their personal safety while travelling.

Please refer to the State Department's Consular Information Sheet for Albania at: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1076.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1076.html) before departing for Albania.

## Visa Requirements

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On March 28, 2013, Albanian parliament approved a new law on foreigners, granting to U.S. citizens a favorable regime. An American citizen does not have to obtain a visa prior to entering Albania. An entry stamp will be issued at the point of entry and American citizens can stay in Albania for one year without a residency permit. This initial period can be extended up to five years. However, the GOA has not published the by-laws as of yet and the old information on how to apply for a residency permit is below. Please check the US Embassy Consular page for up to date information on travel of US citizens in Albania.

[http://www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1076.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1076.html)

*All travelers entering or exiting Albania must have three months or more validity on their passport that is valid for a stay of up to 90 days. Travelers should be aware that Albanian law allows a traveler without a visa to remain in Albania for 90 days only within a specific 180-day period. That 180-day period is defined from the first day of entry. For example, a traveler entering without a visa on January 1 may remain in Albania for 90 days total during the period of time between January 1 and June 28. Departing Albania during this time period does not "restart the clock." Travelers that need to stay for more than 90 days should apply for a residency permit.*

*Information on how to apply for a residency permit is available on the Embassy's web site at: <http://tirana.usembassy.gov/residency.html>*

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

Visa information can be found at:

State Department Visa Website: <http://travel.state.gov/visa/>

Local Consular Section

website: [http://tirana.usembassy.gov/information\\_for\\_travelers.html](http://tirana.usembassy.gov/information_for_travelers.html)

[http://www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1076.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1076.html)

## Telecommunications

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Internet use is not widespread in most remote areas, but is common in Tirana and major urban areas. Internet cafes are everywhere and charge around US\$ 1 an hour.

Cellular phones are widely used in Albania. There are currently four GSM companies offering mobile services: Albanian Mobile Communications (AMC), Vodafone, Eagle Mobile and plus. Vodafone, AMC and Eagle all offer 3G. Triple band (like Treo, Handspring, Blackberries, etc.) cell phones can be used with the Albania, but roaming charges are expensive.

## **Transportation**

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Public transportation is limited in Albania and most business travelers will want to travel by taxi or hire a car and driver for the duration of their visit. Avis Rent a Car, Hertz and some local rent-a-car companies offer services in Albania. A taxi from Mother Teresa International Airport to the center of Tirana costs approximately US\$ 20-25.

For longer periods of travel or standby use, a car and driver can be rented for approximately US\$ 10 per hour.

## **Language**

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The national language of Albania is Albanian. Albania has a large pool of well-trained and talented linguists who can serve as translators/interpreters.

Translators generally charge approximately US\$ 100-200 per day. Most business people in Albania speak a foreign language. The most popular second languages are English, Italian, and Greek.

## **Health**

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The quality of medical care at private hospitals and clinics in Tirana has improved in recent years but does not yet meet western practice standards. Medical care outside the capital is limited because of a lack of medical specialists, diagnostic aids, medical supplies, and prescription drugs. Tirana has four main private hospitals that offer modern facilities and a full range of services. These hospitals include the American Hospital, Hygeia Hospital, German Hospital, and Albanian-Italian Hospital Salus.

Travelers with previously diagnosed medical conditions should consult their physician before traveling to Albania. As prescription drugs may be unavailable locally, travelers may also wish to bring extra supplies of required medications.

U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased.

For more information you can visit the following web sites:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1076.html#medical](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1076.html#medical)

[http://tirana.usembassy.gov/influenza\\_info.html](http://tirana.usembassy.gov/influenza_info.html)

Resources:

<http://spitaliamerikan.com>

[www.hygeia-tirana.com](http://www.hygeia-tirana.com)

<http://www.spitaligerman.com/>

<http://www.salus.al/>

## **Local Time , Business Hours, and Holidays**

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(EST +6 (GMT +1))

Most Albanian businesses are open Monday through Friday from 8 a.m. to 5 p.m. and occasionally are open on Saturday. There is no legislation regulating shop hours and many shops are open seven days a week up to late evening.

Government offices generally operate Monday through Thursday from 8 a.m. to 5 p.m. and on Friday from 8 a.m. to 2 p.m.

Albanian holidays (2013):

The Embassy will observe the following holidays during the calendar year 2013:

January 1	New Year's Day (Albania/(U.S. Holiday)
January 2	New Year's Day
January 21	Martin Luther King's Birthday (U.S. Holiday)
February 18	President's Day (U.S. Holiday)
March 22	Nevruz
March 31	Catholic Easter
May 1	May Day
May 5	Orthodox Easter
May 27	Memorial Day (U.S. Holiday)
July 4	Independence Day (U.S. Holiday)
August 8*	Big Bajram
September 2	Labor Day (U.S. Holiday)
October 14	Columbus Day (U.S. Holiday)
October 15*	Small Bajram
October 19	Mother Teresa's Day
November 11	Veterans Day (U.S. Holiday)
November 28	Independence Day/Thanksgiving (Albania/U.S. Holiday)
November 29	National Liberation Day
December 25	Christmas (Albania/(U.S. Holiday)

\* The Muslim Holidays of Big and Small Bajram are subject to the sighting of the moon. These dates may change.

(Note: Holidays falling on a weekend are taken on the adjacent Friday or Monday. Please note that the U.S. Embassy observes all U.S. federal holidays.)

## **Temporary Entry of Materials and Personal Belongings**

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According to Albania customs regulations, temporary entry of materials and personal belongings is allowed only when the person submits the following documents and the

person has a contract of more than 6 months of duration. Only one shipment is allowed under this category:

- Request signed from client directed to Tirana Directory of Customs asking for duty free import of PE (in Albanian)
- Photocopy of passport (notarized)
- Letter in original from his/her organization in Tirana stating the employment (period for at min. 6 months should be specified.)
- Photocopy of job contract with the company (the person might delete all confidential information on the contract)
- Photocopy of NIPT of the organization (V.A.T tax number certificate)
- Photocopy of the lease contract of the house in Albania (notarized)
- Photocopy of residence permit in Albania (notarized) and
- Packing list

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<http://travel.state.gov/visa/index.html>

<http://www.unitedstatesvisas.gov/>

[http://www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1076.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1076.html)

[http://www.travel.state.gov/travel/tips/health/health\\_1185.html](http://www.travel.state.gov/travel/tips/health/health_1185.html)

<http://www.tirana.usembassy.gov>

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## Chapter 9: Contacts, Market Research and Trade Events

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- [Trade Events](#)

### Contacts

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#### Albanian Government

Embassy of the Republic of Albania  
2100 S St NW, Washington, DC 20008  
Phone: (202) 223-4942  
[info@albanianembassy.org](mailto:info@albanianembassy.org)

Sali Berisha – Prime Minister  
[www.keshilliministrave.al](http://www.keshilliministrave.al)

Aldo Bumci- Minister of Foreign Affairs  
Tel: +355 4 2364645  
[www.mfa.gov.al](http://www.mfa.gov.al)

Arben Imami - Minister of Defense  
Tel: +355 4 2232675  
[www.mod.gov.al](http://www.mod.gov.al)

Ridvan Bode - Minister of Finance  
Tel: +355 4 2228405  
[www.minfin.gov.al](http://www.minfin.gov.al)

Florion Mima- Minister of Economy, Trade and Energy  
Tel: +355 4 2227617  
[www.mete.gov.al](http://www.mete.gov.al)

Sokol Olldashi - Minister of Public Works and Transportation  
Tel: +355 4 2234647/2232389  
[www.mpptt.gov.al](http://www.mpptt.gov.al)

Genc Ruli - Minister of Agriculture, Food and Consumer Protection  
Tel: +355 4 2232796  
[www.mbu.gov.al](http://www.mbu.gov.al)

Majlinda Bregu -Minister of European Integration  
Tel: +355 4 2228358  
[www.mie.gov.al](http://www.mie.gov.al)

Flamur Noka - Minister of Interior Affairs  
Tel: +355 4 2228167/2279602  
[www.moi.gov.al](http://www.moi.gov.al)

Eduard Halimi - Minister of Justice  
Tel: +355 684043977  
[www.justice.gov.al](http://www.justice.gov.al)

Halim Kosova - Minister of Health  
Tel: +355 4 2362937  
[www.moh.gov.al](http://www.moh.gov.al)

Visar Zhiti - Minister of Tourism, Cultural Affairs, Youth and Sports  
Tel: +355 4 2232488  
[www.mtkrs.gov.al](http://www.mtkrs.gov.al)

Spiro Ksera – Minister of Labor, Social Affairs and Equal Opportunities  
Tel: +355 4 2228340  
[www.mpcs.gov.al](http://www.mpcs.gov.al)

Myqerem Tafaj – Deputy Prime Minister and Minister of Education and Sciences  
Tel: +355 4 2222260  
[www.mash.gov.al](http://www.mash.gov.al)

Fatmir Mediu - Minister of the Environment  
Tel: +355 4 2270630  
[www.moe.gov.al](http://www.moe.gov.al)

Genc Pollo - Minister of Innovation, Information and Communication Technology  
Tel: +355 4 2277306  
<http://www.mitik.gov.al/>

### **Other Government Institutions and Agencies**

Central Bank  
<http://www.bankofalbania.com>

Institute of Statistics  
<http://www.instat.gov.al>

Public Procurement Agency  
<http://www.app.gov.al>

Business Licensing Center  
<http://www.qkl.gov.al>

Business Registration Center  
<http://www.qkr.gov.al>

Albanian Investment and Development Agency  
<http://www.aida.gov.al>

General Directorate of Taxation  
<http://www.tatime.gov.al>

General Directorate of Customs  
<http://www.dogana.gov.al>

Energy Regulator  
<http://www.ere.gov.al>

Electronic Communication and Postal Authority  
<http://www.ert.gov.al>

National Agency of Information Society  
<http://www.akshi.gov.al/>

Agency of Natural Resources  
<http://www.akbn.gov.al>

Financial Supervising Authority  
<http://www.amf.gov.al>

Competition Authority  
<http://www.caa.gov.al>

Albania Patent and Trademark Office  
<http://www.alpto.gov.al>

General Directorate of Metrology  
<http://www.dpmk.gov.al>

General Directorate of Standardization  
<http://www.dps.gov.al>

### **Business Associations**

American Chamber of Commerce in Albania  
<http://www.amcham.com.al>

Chamber of Commerce and Industry Tirana  
<http://www.cci.al>

Foreign Investors Association of Albania  
<http://www.fiaalbania.com>

### **Law Firms**

<http://www.bogalaw.com.al/>  
<http://www.kalo-attorneys.com/>

<http://www.wolftheiss.com>  
<http://www.tonucci.it/>  
<http://www.zkt-lawfirm.com/>  
<http://www.hmh-al.net>

**Audit, Tax and Advisory Services Firms**

<http://www.pbm.al> correspondent of [www.russellbedford.com](http://www.russellbedford.com)  
<http://www.deloitte.com/al>  
<http://www.kpmg.com/al>  
<http://www.pwc.com/al>  
<http://www.ey.com>

**Major Media Outlets:**

<http://www.top-channel.tv/>  
<http://www.tvklan.tv>  
<http://www.vizionplus.tv/>  
<http://www.oranews.com>  
<http://www.news24.com>

Economy:

<http://www.monitor.com.al>

For commercial issues, requests and information please contact:

Mr. Donald Brown (Note: Mr. Brown will arrive in Tirana in August 2013)  
Econ/Commercial Officer  
United States Embassy  
Rruga Elbasanit 103  
Tirana, Albania  
tel: +(355) (42) 247 285  
fax: + (355) (42) 232 222  
e-mail: [BrownDA8@state.gov](mailto:BrownDA8@state.gov)

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Rruga Elbasanit 103  
Tirana, Albania  
Tel.: + (355) (42) 247 285, ext. 3116  
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E-mail: [JacellariE@state.gov](mailto:JacellariE@state.gov)

**Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

For local trade shows please visit: <http://qendrapanaireve.com/w/>

Next local trade shows are:

19-22 September, 2013	Agro-business and Tourism Fair
11-13 October, 2013	“Work & Study” Labor Fair
31 October – 02 November, 2013	Expomedical.Al Tirana III Fair
07-08 November, 2013	Balkan Food Expo
23-27 November, 2013	International Trade Fair

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For services US Embassy Tirana provides please visit: <http://tirana.usembassy.gov/business.html>

For further information on any of these products, please contact:

[USALbusiness@state.gov](mailto:USALbusiness@state.gov)

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U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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