



## Doing Business in Albania: 2014 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 Government of Albania (GOA) signed a 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 candidacy status, 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 percent from 2000 to 2008. Although Albania largely was spared from the initial severe fallout of the 2008 financial crisis, the prolonged European crises, coupled with a challenging fiscal and budgetary environment and structural problems in the local economy, has caused economic output to steadily decline since 2009. 2013 GDP growth likely will decline to 0.7 percent, the lowest in more than a decade, and far from the government's initial projection of 3.1 percent. Faced with mounting public debt (approximately 70 percent of GDP), large government arrears to the private sector, and a weak economy, the government signed a \$457 million arrangement with the International Monetary Fund at the end of 2013 and took out two development policy loans worth a total of \$220 million from the World Bank in May 2014. The three-year IMF arrangement aims to help Albania pay back government arrears, pursue fiscal consolidation, and to improve debt sustainability. The World Bank development policy loans are intended to modernize Albania's public financial management system to reduce and better manage Albania's public debt. The Albanian government hopes these loans, coupled with better customs and tax collections, will spur economic growth and help the government reduce its public debt. The IMF estimates that the economy will grow by 2 percent in 2014, boosted by an increase in exports and a modest recovery in domestic demand.

Inflation in 2013 averaged 1.9 percent. The official unemployment rate during 2013 rose to 16.9 percent from 14.4 percent in 2012 and domestic labor costs remain among the lowest in Europe. In 2013, the Albanian lek was stable versus both the dollar and the euro. The banking sector in Albania remains viable, profitable, and well capitalized; however, increasing rates of nonperforming loans (around 25 percent) and low domestic

lending are growing concerns for the sector. At the end of February 2014, deposits totaled \$940 million and loans totaled \$590 million.

Estimated GDP for 2013 was \$12.8 billion and GDP per capita was \$4,598. Although GDP per capita has increased over the last decade, it is still amongst the lowest in the region. The Albanian economy has four main sectors. The service sector is the largest and comprises 57.8 percent of GDP, followed by agriculture at 19.5 percent, construction at 10.7 percent, and industry at 12 percent of GDP. The economy remains characterized by a narrow base of exports, a wide base of imports, and low competitiveness. The agriculture sector employs half of the country's workforce, mostly in small subsistence-level family farms.

Albania's Foreign Direct Investment (FDI) inflow increased significantly over the last six years, averaging \$1 billion each year from 2008 to 2013. Canada is Albania's largest foreign direct investor, representing 20 percent of Albania's FDI stock, followed by Switzerland (14.5 percent), Austria (14.2 percent), Greece (12.9 percent), Italy (12.4 percent), Turkey (7.5 percent), and the Netherlands (6.9 percent). FDI primarily focuses on the processing, extraction, and financial sectors.

Albania's trade deficit reduced from \$2.9 billion to \$2.53 billion in 2013 reflecting an increase in heavy crude oil, textile, and footwear exports. The European Union remains Albania's main trading partner. In 2013, the EU provided 64 percent of the country's imports and received 76.7 percent of exports. Albania's primary importing partners are Italy, Greece, China, Turkey, and Germany. Major exporting partners are Italy, Spain, Malta, Kosovo, and China.

Albania's trade with the United States remains small but is increasing. U.S. exports to Albania in 2013 reached \$122 million, up from only \$66 million in 2009. Agricultural products, ferroalloys, footwear, and textiles serve as the main exports to the United States, while meat, oil, transportation equipment, and computer and electronic equipment comprise the majority of Albanian imports from the United States.

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 with Iceland and Norway entered into force in 2011.

Overall, the Albanian market is a developing market. The government's main task at present is to maintain positive economic growth rates, while combating 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 simplification of taxes are examples. Nonetheless, major challenges remain:

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

**Weak judicial system and poor enforcement of contracts:** 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 and contracts also presents a challenge.

**Property issues:** The official register of real estate property titles is incomplete and poorly maintained. Multiple claims on the same property are common and significant legislative and legal gaps in the restitution and compensation process remain.

**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 remains a concern for businesses and foreign investors. Market prices are supposed to be used to combat fiscal evasion, but businesses allege these rates are artificially high. In 2014, Customs pledged to eliminate reference prices for goods originating in the United States and European Union by 2015.

**Frequent legislative changes:** One of the major challenges reported by the business community is frequent legislative changes and a 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. Although the government has completed many major privatizations, several opportunities remain in the oil, mining, 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, nickel, and coal. Higher world prices and renewed interest from private companies are creating business opportunities in the oil and gas sector and the government plans to auction 13 new oil and gas exploration licenses in 2014. The country's geographic location also allows for considerable water/hydroelectric and wind potential. The Law on Concessions enables the government to offer concession contracts in the hydroelectric, wind generation, and mining sectors. The government also has entered into production sharing agreements with several partners in the oil sector. Aside from possibility of direct investments or concessions, these sectors also represent potential opportunities to provide equipment, machinery, and financing for other investors.

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. Broadband services also are developing. The scheduled transfer from analogue broadcasting to digital broadcasting also will bring business opportunities. Overall, the on-going liberalization and expansion of the sector continues to fuel the demand for physical facilities and equipment.

Public investment in infrastructure has slowed in the last two years. Nonetheless, investment opportunities may exist in roads, water supply, and waste treatment, as well as port infrastructure and terminal projects. The government'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 few remaining opportunities for privatization include: state-owned oil extraction company Albpetrol, insurer INSIG, the remaining state-owned shares of recently privatized oil refinery ARMO (less than 15 percent state-owned shares), and telecom operator Albtelekom (16.7 percent state-owned shares).

Both the public and private health sectors are expanding and there is growing demand for modern medical equipment. As Albanians increasingly demand modern medical services, the demand for medical devices and pharmaceuticals will increase in the coming years.

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. The government is focusing on modernizing the agricultural sector; so there may be significant demand for modern agriculture machinery in the coming years.

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 geographic location, seasonal climate, and combination of archaeological, historical, and religious sites can be harnessed to develop a highly attractive tourism industry. The sector is underdeveloped in comparison with the region and future development of resorts, marinas, and other tourism infrastructure represents opportunities for goods and services.

## **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, the Albanian Investment Development Agency, law firms, consulting companies, and other business organizations.

It is recommended that companies interested in investing in Albania visit the country. This is especially important for companies in the high-tech, telecommunications, and

service sectors. Most companies that come to Albania give detailed presentations and provide 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. Often funds for product marketing need to be provided by the U.S. company 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 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.pwc.com/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 270 members interested in conducting business with U.S. companies.

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

The U.S. Embassy can provide a series of complimentary and fee-based 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: [USALbusiness@state.gov](mailto:USALbusiness@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 thanks 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, and 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 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. \$20,000) for companies with no public offering, and lek 10 million (approx. \$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 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.gkr.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.

## **Direct Marketing**

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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, electronics and home appliance stores, restaurants, and personal service providers.

Catalog and Internet shopping is in its early stages. Many online merchants do not ship to Albania or charge prohibitively high shipping charges.

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 is slow. 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. The Albanian government has held observer status to the WTO Government Procurement Agreement since 2001.

## **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. The majority of Albanian trade goes through the Port of Durres, which is the largest port in Albania and handles more than 90 percent of maritime trade. Albania also has two smaller ports; Vlore in the south and Shengjini in the north. Land-based trade can clear customs at border-crossings with Greece, Macedonia, Kosovo, or Montenegro.

Small private shops still dominate the retail industry and many shops carry Italian and Greek goods. However, 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. Inditex with several of its brands including Zara, Pull&Bear, Massimo Dutti, Bershka, and Stradivarius, entered the market on April 2014. There also are 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, and Tirana East Gate (which houses Carrefour) in December 2011.

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 2013, estimates put GDP per capita around \$4,596 (Note: This number does not take into account 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.

The U.S. Embassy is able to arrange Single Company Promotions, which help expose a company to major business and government decision makers in Albania.

For more information on this service, please consult Chapter 10 of this guide or contact the Embassy.

Please see the following links for more information:

Media Outlets and Advertising:

<http://www.top-channel.tv>  
<http://www.visionplus.tv>  
<http://www.tvklan.com>  
<http://www.monitor.com.al>  
<http://www.panorama.com.al>  
<http://www.shqiptarja.com>  
<http://www.balkanweb.com/gazetav5/>  
<http://www.gazeta-shqip.com>  
<http://www.mapo.al>  
<http://www.monitor.com.al>  
<http://ogilvyalbania.com>  
<http://www.ddb.com>  
<http://www.ashley-holmes.al>  
<http://marketingmedia.al/>  
<http://www.klikekspogroup.com>

For a 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 or at the following link: [www.qendraepanaireve.com](http://www.qendraepanaireve.com).

## Pricing

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Consumers in Albania are price sensitive and consistently seek bargains for their purchases. Imports into Albania are subject to 20 percent VAT, which is assessed on the Cost Insurance Freight (CIF) value of an imported shipment plus applicable duty. Import duties vary from 0 percent to 15 percent.

The 20 percent Value Added Tax (VAT) is applicable on all goods and services sold in Albania with a few specific exemptions.

Prices are set by the market with a few exceptions like the price of electricity, which is regulated by the government. The government also defines the margin of all the different entities involved in the chain of distribution of pharmaceuticals, including pharmacies.

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.

**Protecting Your Intellectual Property**

Albania is not on the Special 301 Watch List or Priority Watch List. However, intellectual property rights (IPR) infringement and theft are common due to weak legal structures and poor enforcement. 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 its enforcement. Regulators are ineffective at collecting fines and prosecutors rarely press charges for intellectual property theft. U.S. companies should consult an attorney experienced in IPR issues and avoid potential risk by establishing solid commercial relationships and drafting tight contracts.

**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 Albanian market. 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 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 Albanian law. The U.S. Embassy 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 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 Albanian 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/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_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 who covers Albania 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.

When 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.

## Web Resources

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Department of Commerce and Department of State Websites:  
<http://tirana.usembassy.gov/business.html>

<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>  
[www.ffconsulting.al](http://www.ffconsulting.al)

**Auditing, Tax and Advisory Services:**

<http://www.pbm.al>  
<http://www.deloitte.com>  
<http://www.kpmg.com>  
<http://www.ey.com>  
<http://www.pwc.com/al/en/>

**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.ekonomia.gov.al>  
<http://www.energija.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](#)
- [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 due to a lack of proper maintenance of inherited generation sources, a lack of new investments in new 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 2013 reached 7,961 GWh, while the average annual generation output in 2013, considered a very good year, reached 6,956 GWh. The gap between supply and demand is met by either importing energy or load shedding (rolling blackouts). The government has embarked on a reform process in the energy sector to address this energy unreliability. The 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.
- Liberalization of the energy market

In the last decade, the government also has undertaken a series of public investments and initiatives, including policy and regulatory reforms aimed at promoting private investments in the energy sector and addressing energy insecurity. These initiatives include:

**Higher Transmission Capacities:** The government has financed projects to build interconnection lines to raise importing capacities and integrate Albania into the European energy network. It completed a 100MW interconnection line between Albania and Montenegro in 2011. The investment was financed by German development bank Kreditanstalt für Wiederaufbau (KfW). In February 2010, the government also received KfW financing for the construction of an interconnection line between Albania and Kosovo which started in 2014 as well as a ring line in southern Albania. The government also has authorized the construction of two 400 kV undersea interconnection cable lines that would connect Albania and Italy but the project has yet to start.

**Higher Distribution Efficiency:** In 2009, the government 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 government privatized the distribution grid with Czech company CEZ. However, due to the prolonged dispute between CEZ and the government, the government took over the administration of

distribution arm in late 2012. Negotiations between CEZ and the government over the failed privatization are ongoing as of 2014. As a result, inefficiency in the system remains a concern for the electrical system in Albania.

***Diversification of Generation Sources:*** In 2008-2009, the government funded the construction of the Vlora 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 percent 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 2013 totaled 1,878 MW, out of which 98 MW are in thermo and the rest is hydro. Fully 81.5 percent of the generation capacity is state owned, with 88 percent 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 2013 stood at 347 MW, mostly fueled by the privatization of five small HPPs with an installed capacity of 83 MW during 2013.

***Hydropower:*** The government 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 275 MW HPP cascade started construction in 2013. The project will develop in stages with an estimated time of completion in 2019. Additional capacity is available with the Vjose and Osum rivers.

***Wind power & Other:*** The government 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 represents good investment and trade opportunities in a variety of areas. The construction of new generation sources, construction of new transmission lines, improvements in distribution, and the promotion of energy efficiency using renewable energy sources, all represent opportunities to provide equipment, services, and financing.

In addition, the Trans-Adriatic Pipeline that will pump Azeri gas through Greece and Albania into Southern Italy might also drive the demand of investing in thermo plant generation capacities in Albania, which needs to diversify its energy sources. The pipeline is scheduled to start in 2015 and complete before 2020.

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 reduce losses that presently account for 55 percent of the system's electricity. Additional projects relating to dam safety also are potential opportunities for the export of U.S. goods and services.

The Albanian government 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 government has approved more than 100 concession contracts in the electricity generation sector, although only a few have progressed past the approval stage.

## **Web Resources**

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

<http://www.energija.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	68,246
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	Pyrophyllite	6
13	Barite	0.72	32	Talc	0.616
14	Limestone	Huge quantities	33	Chalk	2
15	Mergele	> 2.6	34	Phosphorite	57.1
16	Trepele	6.4	35	Sand+Carbonatic Aggregates	25.4
17	Olivine	108.6	36	Polymetals	1.031
18	Gypsum	84.4	37	Platinum	848 kg
19	Silica sands, quartzites	> 200.5	38	Gold	13742.4 kg
20	Basalt	Unlimited			

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- construction materials; 3-precious stones and semi-precious stones; and 4- radioactive minerals and substances. The Ministry of Energy and Industry 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 percent - 10 percent, VAT 20 percent, and corporate income tax 15 percent (oil and gas has a different level of profit tax – see section on Oil and Gas.)

Albania became compliant with the Extractive Industries Transparency Initiative (EITI) on May 3, 2013. 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.

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. Despite progress and increase of production, 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, fueled mostly by the construction boom that Albania experienced from 2000 - 2009.

#### Production of major minerals in Albania 2008-2013

Minerals	Unit	2008	2009	2010	2011	2012	2013
Chromite	ton	229,899	268,718	322,597	349,873	365,749	529,592
Copper	ton	105,000	114,286	139,926	305,284	479,720	507,105
Iron Nickel & Nickel Silicate	ton	353,320	68,840	269,300	363,723	75,017	215,086
Coal	ton	1,500	2,000	2,500	1,200	0	0
Limestone	m3	3,837,529	3,271,617	2,363,445	2,445,680	2,727,451	3,257,513
Slab Limestone	m3	18,341	39,749	34,132	29,885	36,357	36,739
Massif Limestone	m3	3,964	5,403	7,331	7,116	10,864	1,003
Bedded Sandstone	m3	25,237	45,415	22,902	23,989	29,249	22,316
Clay	ton	695,469	819,341	803,326	973,256	961,052	1,181,242
Gypsum	ton	87,261	71,276	77,400	93,248	91,021	126,349

#### Major companies operating in extraction are:

Locally-owned AlbChrome operates the Bulqiza chrome mine, an enrichment plant in Bulqiza, a selection plant in Klosi, a ferrochrome smelter in Burrel-Mat, a chrome mine in Pjoska-Pogradec, and a Ferrochrome smelter 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, Karne 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. In May 2014, the Chinese company Jiangxi Copper entered the Albanian market through the acquisition of 50 percent of the shares of Ber-Oner's mother company in Turkey.

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 mines and Kalimashi dressing plant.

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 and the bitumen smelting furnace.

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 Tirex-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 \$325 million for the construction of a cement factory by TITAN Group was finalized.

The government has signed a number of concessions with local and foreign companies for the construction of cement factories. Some of these investments are 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.energija.gov.al>

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

<http://www.albeiti.org>

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

## OGM – Oil and Gas

### Overview

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Albanian oil fields have good potential for production development. Geological reserves are estimated to reach 437 million tons (3.27 billion barrels -- 78 percent reserves of sandstone fields and 22 percent reserves of limestone fields). The government recently announced that it plans to auction 13 new oil and gas exploration licenses in 2014.

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 government. Albania's territory is divided into onshore and offshore blocks. The state-owned oil company Albpetrol currently manages all free blocks available for exploration and exploitation, but the government announced in 2014 that it would develop a public auction process to license these blocks to interested investors.

To date, the government has issued licenses for the exploration, development, and exploitation of several blocks with the following companies: Emanuelle Energy Limited – Blocks Adriatik 2, 3 and 4 (offshore); San Leon Energy –Durres Block (offshore); Cairn (Capricorn Albania Limited) and Dyas Albania B.V. – Block Jon 5 (offshore); Petromanas Energy - Blocks D-E (onshore); Petromanas 25 percent and Shell 75 percent - Blocks 2-3 (onshore); Bankers Petroleum - Block F (onshore). The following blocks are free: Rodoni North Block (offshore); Blocks 4, 5, Dumre, A, B, C, 1, 6, 7, 8, C, Velca, and Panaja (onshore.)

In addition, Albpetrol has signed nine PSAs for the development and exploitation of the following oil fields, each with 25 years term:

Patos Marinza - Bankers Petroleum (2004); Ballsh Hekal - Stream Oil and Gas (2007); Cakran Mollaj - Stream Oil and Gas (2007); Gorisht Koculit - Stream Oil and Gas (2007); Delvina - Stream Oil and Gas (2007); Kucova – Sherwood International Petroleum (2007); and Visoka - Transoil Group (2009); Amonica, Drashovica, Finiq-Karne and Pekisht-Murritz – Phoenix Petroleum (2013); and, Divjake, Ballaj-Kryevidh, Povelce, panaja and Frakull – Phoenix Petroleum (2013)

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 and some 3D seismic profiles have been completed.

In the last few years, the rise in the price of oil in international markets has brought renewed interest to Albania's oil sector. Bankers Petroleum started the development and exploitation of Patos Marinza in 2006. Average oil production for the first quarter of 2014 for Bankers Petroleum reached 19,911 barrels of oil per day (bopd), more than doubling 2010 production.

Stream Oil and Gas also has started investing in the development and exploitation of oil and gas fields. In addition, Transoil Group is exploring a Production Sharing Agreement (PSA) of its own. However, oil production and investments of both companies are small.

Heavy crude oil production in Albania has tripled over the last decade, from as low as 420 thousand tons in 2004 to more than 1.2 million tons in 2013, with Bankers Petroleum driving almost the entire increase. Bankers capital investments have intensified in the last few years and in 2013 CAPEX reached USD 234 million while in 2014 Bankers plans to invest around USD 300 million. This, together with ambitious exploratory efforts especially by Pertomanas and Shell, which to date have invested close to USD 200 million in exploratory wells, has created opportunities for exports of goods and services in the oil sector.

Company	Oil and Gas Field	2011	2012	2013
Bankers Petroleum	Patos-Marinza (ton crude)	761,000	879,200	1,061,000
Stream Oil & Gas	Ballsh-Hekal (ton crude)	5,900	7,640	5,900
Stream Oil & Gas	CakranMollaj (ton crude)	28,300	41,600	35,250
Stream Oil & Gas	Gorisht-Kocul (ton crude)	39,200	41,100	45,920
Stream Oil & Gas	Delvine (Nm3 gas)	76,000	-	-
Sherwood International	Kuçove (ton crude)		300	100
Transoilgroup	Visoke (ton crude)	350	14,950	22,300
Phœnix Petroleum	Amonicë; (ton crude)			1,510
Albpetrol Sh.a.	Other (ton Crude)	59,000	45,000	37,320

Although Albania has refining capacities, the technology is outdated and most of the oil gets exported for further refining. As such, Albania imports large quantities of refined oil byproducts for its domestic needs. In 2013, Albania imported under HS code 2710 around 600,000 tons or \$660 million and under HS code 2711 close to 74,000 tons or \$70 million.

**Gas market:** Albania has no natural gas production and the country is not connected with any of the regional gas networks. The Trans-Adriatic Pipeline (TAP), scheduled to start construction in early 2015, will transport natural gas from the Shah Deniz II field in Azerbaijan through Greece and Albania to southern Italy. TAP will start with a capacity of 10 billion cubic meters (bcm), but a second phase can increase capacity to 20 bcm. Current TAP shareholders are BP (20 percent), SOCAR (20 percent), Statoil (20 percent), Fluxys (16 percent), Total (10 percent), E.ON (9 percent) and Axpo (5 percent). TAP has already started announcing tenders and its construction will create significant opportunities for companies operating in the sector. For opportunities on TAP please visit <http://www.trans-adriatic-pipeline.com>

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

## Opportunities

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New oil and gas licenses, both onshore and offshore, may represent excellent opportunities for U.S. oil and gas companies as well as affiliated oil and gas service providers. The arrival of the Trans-Adriatic Pipeline may also bring opportunities for salt-

dome gas storage, thermal energy generation, pipeline and compressor station construction and maintenance, and infrastructure improvements.

## Web Resources

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<http://www.trans-adriatic-pipeline.com/>

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

<http://www.energija.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*	2012	H1 2013
<b>Broadband</b>					
Broadband subscribers (thousand)	80	120	174	215	210
Broadband penetration rate	2.5 percent	3.75 percent	6 percent	7.6 percent	7.4 percent
<b>Subscribers to Telecoms Services</b>					
Fixed-line telephone subscribers (thousand)	363	330	339	311	280
Penetration rate	11.3 percent	10.3 percent	12 percent	11 percent	10 percent
Mobile phone subscribers (million)	4.16	4.5	5.2	5.6	4.86
Penetration rate	130 percent	140 percent	185 percent	198 percent	172 percent
Active mobile phone users (million)**			3.07	3.5	3.37
Penetration rate			109 percent	125 percent	119 percent

\*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) for the first time published data about the number of active mobile sim cards.

Electronic communication market revenue

Sector	2009	2010	2011	2012
<b>Overall Market Revenue(million US\$)</b>	<b>615</b>	<b>570</b>	<b>520</b>	<b>554</b>
Mobile sector (AMC, Vodafone, Eagle, and Plus)	472	416	390	420
Fixed line (Albtelekom)	112	108	93	104
Other operators	31	46	37	30

No revenue data reported for cable TV services. Financial Data for 2013 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 the last decade and its growth potential has attracted international investment in all segments of the sector, with the primary focus being in mobile and broadband segments. The electronic communication sector has experienced steady revenue growth until 2011, when for the first time the revenue declined from \$570 million in 2010 to \$520 million, 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 e-communication market (including ISP) but the three mobile operators Vodafone, AMC, and Eagle along with the fixed-line operator Albtelekom represent 91 percent of total revenue of the e-communication sector with mobile telephony accounting for 75 percent of market revenue.

Mobile service first entered the market in 1996 and began to grow significantly around 2000. The rapid growth in mobile telephony was fueled by the low penetration rate of fixed telephony. Today the sector has close to 5.6 million subscribers compared to 15,000 in 2000. Mobile telephony has a penetration rate of 172 percent, far higher than the EU average. Future sector growth is expected to come from increasing average revenue per user by providing new data services.

Albania's broadband market offers significant growth potential due to low penetration levels. In the first half of 2013, broadband penetration was only 7.4 percent. 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.

Triple-play platforms offering cable TV, broadband, and fixed telephony also are increasingly popular.

## 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 3G entrance also has boosted the demand for equipment, including smart phones.

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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 private services are increasingly popular. The State remains 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 and tertiary healthcare service.

The government 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 ongoing and the government currently plans to develop hospital care through the incorporation of the hospital services under the health insurance scheme.

The private sector also is 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 making progress. Four private, western standard hospitals have opened in Tirana in the last few years. American Hospital, Hygeia, German Hospital, and Salus Hospital all offer a wide range of specialized services.

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 percent 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 2014, the government has earmarked only \$19 million for capital investments in the health care sector. \$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.shendetesia.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, 1,020 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 3,855 drug form-doses registered in Albania. For the registration process for drugs, please visit [www.qkkb.gov.al](http://www.qkkb.gov.al)

In the public healthcare system, the government sets profit margins for actors involved in the distribution chain and subsidizes prescription medicines. The Health Care Insurance Institute (ISKSH) develops an annual reimbursement list outlines which drugs will be subsidized by the government. For 2014, ISKSH has earmarked close to \$84 million for the reimbursement of 477 prescription medicines.

Two commissions annually approve the drugs that are reimbursable by the Health Insurance Institution. They commissions also define the profit margin for importers and secondary distributors as well as pharmacies. 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>.

The drug market in Albania has an estimated value of \$220 million. Imported products dominate the market. Locally manufactured products account for a small share of the total market. In 2013, Albanian imports under chapter 30 “pharmaceutical products” reached close to \$162 million. Although U.S. exports account for a small share of the market, it should be noted that the share might be larger because U.S. products are often imported from their European offices. Generic drugs are popular in the market due to lower prices.

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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 represents another good opportunity for U.S. companies.

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<http://www.qkkb.gov.al>  
<http://www.isksh.com.al>  
<http://www.imoh.gov.al>

## TRA – Travel and Tourism

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The Albanian government considers tourism as a key strategic economic sector, touting 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. Amphitheaters, 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 country's greatest assets. 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 also has great potential for mountain tourism.

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Tourism is the only sector of the Albanian economy with a positive trade balance. The country traditionally has been the summer vacation destination for the Albanian diaspora as well as ethnic-Albanians from Macedonia and Kosovo. The number of foreign visitors has increased substantially in recent years. In 2013, approximately 3.5 million foreigners came to Albania, mostly for tourism. The pristine and diversified nature and culture has attracted the attention of western media. Lonely Planet's Best in Travel 2011 proclaimed Albania the number one travel destination of the top 10 countries for 2011. A growing number of U.S. citizens have visited southern Albania during day excursions from cruise ships.

The government has worked to improve infrastructure and since 2006 it has spent more than \$2 billion expanding road infrastructure and building new passenger terminals in ports and airports. While the road infrastructure is improving, tourist accommodations have developed chaotically and are far from international standards. Official statistics on the number of hotels and beds are contradictory and not very reliable as the sector remains highly informal. One of the major issues that needs to be addressed to boost the tourism industry is the size and quality of accommodations. Only a few hotels are large enough to accommodate large groups of tourists. There is untapped demand for a chain of small to mid-size hotels that could accommodate the growing number of package tours, which traditionally stay in Tirana where the only sizable hotels currently exist.

Albania also does not have any high-end resorts. Given growing tourism demand from EU tourists seeking cheaper beach destinations and the influx of Balkan tourists to the region, a high-end beach resort may be a lucrative investment. Such investments may also create opportunities for U.S. companies to offer services in the design and implementation stage as well as management and auxiliary services.

The removal of the moratorium on recreational boats in 2013 might also create opportunities for trade on motor boats, speed boats, sail boats, and other personal water craft.

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

<http://www.albaniantourism.com>

## Agricultural Sectors

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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 percent (696,000 hectares) is agricultural land, 36 percent (1,014,000 hectares) forest, and 15 percent (423,000 hectares) pastures and other types of land. Nearly 50 percent of the labor force works, directly or indirectly, in agriculture.

Although agriculture is no longer the dominant sector of the Albanian economy, it still contributes approximately 20 percent to the GDP. The government considers the agriculture sector to be of crucial importance for Albania's economic development and hopes to boost agriculture production by providing financial support to farmers and facilitating private investment in the agro processing sector. For example, over the last three years the government has distributed almost \$30 million to develop fruit and olive orchards, vineyards, and greenhouses.

Albania is a net agricultural importer. In 2013, imports of agricultural products totaled \$870 million, representing approximately 26 percent of Albania's agricultural consumption. The United States was by far the largest exporter of edible meat to Albania in 2013, exporting about \$25.5 million. Corn, wheat, animal feed, flour, and edible oils also represent U.S. export opportunities to Albania. In 2013, Albania imported \$95 million in grains, mainly wheat, \$25 million in animal feed, \$43 million in edible oil, \$20 million in flour, and \$20 million in corn.

Despite a mild climate, fertile land, and abundant water resources including rainfall, surface, and ground water, the agriculture sector remains largely untapped due to the 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.

As Albania's economy develops, demand for high-end and niche agricultural products will increase. The recent expansion of large retail and food service outlets has led to better marketing and a growing demand for product variety. As a result, there will be numerous opportunities to both invest in Albanian agriculture and export U.S. agriculture products to the Albanian market.

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Good prospects exist for U.S. exporters in the following sub sectors:

**Grain:** The Albanian market consumes about 500 metric tons of grain per year, most of which is imported. In 2013, Albania imported 292,000 tons of wheat. In the past, there have been some sporadic efforts to import wheat from the United States, 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. The government 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 2013 imported a combined 150,000 tons of maize and animal feed worth about \$45 million. The main competitors for U.S. wheat and maize are eastern countries, primarily Russia and Ukraine, as well as Argentina.

**Livestock:** There are interesting prospects for U.S. 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 2013, total imports for livestock were about \$92 million with about 70 percent of it consisting of edible meat. Total imports of poultry amounted to \$35 million of which \$15 million were imported from the United States.

**Animal feed:** Albania is a net importer of protein meals for animal feed. There is no local production of soybeans, so traditionally soybean meal and other soy products are imported. Imports have come primarily from neighboring countries and, as in the case of wheat and other bulk products, attempts to import directly from the U.S. have not succeeded due to the poor import infrastructure. In 2013, Albania imported 88,000 tons of animal feed worth about \$25 million. Imports have increased by almost 35 percent as demand is high due to growing local and foreign investment in the poultry and pork sectors.

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

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## Chapter 5: Trade Regulations, Customs and Standards

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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. Major pieces of legislation regulating customs activity include:

- 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. For 2014 nomenclature please visit the link: [http://www.dogana.gov.al/sites/default/files/NK\\_percent202014.pdf](http://www.dogana.gov.al/sites/default/files/NK_percent202014.pdf)
- 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 the EU entered into force on April 1, 2009, following ratification by EU member countries. The SAA foresees the establishment of a free trade area according to the commitments of Albania under the agreements signed with the WTO. The agreement foresees the 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 agreement also foresees the 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; and, elimination of fiscal discrimination resulting from tariffs and taxes which are applicable in both parties' territories.

As such, Albania implements preferential tariffs on products originating from member countries of the European Community, CEFTA, EFTA, and Turkey. The following link contains the complete 2014 list:

[http://www.dogana.gov.al/sites/default/files/origjina/Tarifa\\_Preferenciale\\_2014.pdf](http://www.dogana.gov.al/sites/default/files/origjina/Tarifa_Preferenciale_2014.pdf)

Albania also is a signatory to the International Technology Agreement under the WTO umbrella, which provides free import of information technology equipment.

Customs duties/tariffs vary from zero to 15 percent based on the type of goods. Other taxes imposed on imported products include 20 percent VAT (with a few exemptions) 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. 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 and tariffs are levied based on a government-determined fair market price (the so called reference price) or the global market price regardless of the actual price paid.

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.

## **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 at customs, 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 importer is responsible for providing the necessary import documents to customs. The following are the main documents required for imports and exports however, the exporter should consult with the importer for a complete list of documents needed:

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 freely exported from the United States to Albania, 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 operating in Albania, 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 for non-food products in Albanian are less specific than food products. The law for the protection of the consumers approved in 2008 requires that

non-food products destined for end consumers have labels in the Albanian language which include name of the products, address of the producer and/or importer, brand or any other distinguishing sign of the manufacturer importer or supplier, weight, quantity, size and dimensions and any other identification feature necessary for the identification and use of the product.

## **Prohibited and Restricted Imports**

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There are no specific prohibited imports. There are categories of products that need licenses and registration before being imported to Albania like insecticides, pesticide, pharmaceuticals, etc. Special import provisions are enforced for strategic sectors such as import of 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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Albania has specific institutions for 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, 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. The Stabilization and Association Agreement with the EU stipulates that Albania must adopt European Community technical regulations, European standards, and conformity assessment procedures.

Application of Albanian standards is 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, Rural Development and Waters 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 legal entity acting as the National Standards Body of the Republic of Albania in charge of organizing all standardization activities at the national level. 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. DPS is responsible for the development, adoption, approval, implementation, and the publication of the Albanian Standards in all fields except that of telecommunication. It also is responsible for publishing European and international standards. All standards published by DPS have voluntary status. A full list of the most recent standards can be found in the following link:  
[http://www.dps.gov.al/standard/advance\\_search.php](http://www.dps.gov.al/standard/advance_search.php).

**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, Rural Developments, and Waters ([www.bujqesia.gov.al](http://www.bujqesia.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. The national Metrology System includes national standards laboratories, calibration laboratories, testing laboratories and legal persons authorized to conduct the business of legal metrology

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). For tariffs and rates charged by the GDM, check the following link: <http://dpm.gov.al/images/stories/DPM/sherbimet/tarifat-dhe-sherbimet-e-dpm-2013.pdf>

### **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.

The accreditation of product certification is done from the Albanian Accreditation Directorate and/or from foreign Institutions.

In 2014, the DPA hopes to reach an agreement with the European Accreditation Body (EA) to become a signatory of the mutual recognition agreements in the field of testing laboratories. This would allow the recognition at the European level of testing by accredited laboratories from the DPA.

## 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, organizations that provide certification, testing, and inspection and calibration services. The 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. Laboratory accreditation is not compulsory for every sector. It is, however, mandatory for laboratories dealing with safety and health issues.

Accreditations conducted by foreign accreditation bodies are recognized for the purposes of authorization or registration, only in specific cases.

## 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.legjislacioni.gov.al](http://www.legjislacioni.gov.al) Furthermore, each agency publishes its own publications. The DPS publishes a quarterly standards bulletin (in Albanian) and the annual Catalogue of Albanian Standards. The 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 will notify 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 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 is the responsibility of the importing company.

Directions on the labeling of non-food products in Albanian are less specific than food products. The law for the protection of the consumers approved in 2008 requires that non-food products destined for end consumers have labels in the Albanian language which include name of the products, address of the producer and/or importer, brand or any other distinguishing sign of the manufacturer, importer, or supplier, weight, quantity, size and dimensions and any other identification feature necessary for the identification and use of the product.

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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.ekonomia.gov.al>

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

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

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

<http://www.albanianaccreditation.gov.al>  
<http://www.aku.gov.al>  
<http://www.bujqesia.gov.al>  
<http://www.shendetesia.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 implemented a liberal foreign investment regime with the intent of increasing foreign direct investment. The Albanian government has taken measures to improve the overall business climate in the country by streamlining business procedures through e-government reforms and improved legislation in a variety of sectors. 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. Changes in political leadership have also raised questions about the legal certainty of licensing and concession agreements signed by previous governments.

#### ***Legal Framework***

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

- No prior government authorization is needed for an initial investment and no sector is closed to foreign investment;
- 100 percent foreign ownership of companies is permissible;

- Foreign investment may not be expropriated or nationalized directly or indirectly, except for designated special cases, in the interest of public use and as defined by law;
- Foreign investors enjoy the right to expatriate all funds and contributions in kind from their investments; and
- Foreign investors receive 'most favored nation' treatment according to international agreements and Albanian law.

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.

The Law on Foreign Investments grants special state protection 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. However, many companies complain about the sluggishness of the courts and the endemic corruption in the judiciary. In addition, parties to a dispute may agree to arbitration. The Albanian Code of Civil Procedure outlines provisions regarding domestic and international commercial arbitration.

### ***Taxation***

Albania's tax system does not distinguish between foreign and domestic investors. Reforms are aimed at increasing the efficiency of tax administration and reducing corruption, but rampant informality in the economy (some experts estimate 50 percent of the Albanian economy is informal) make tax administration a challenge. In an effort to

address the sharp decline in government revenues during 2012-2013 and growing public debt, the government, in consultation with the International Monetary Fund, passed a new fiscal package in December 2013. The new fiscal package increased corporate income tax from 10 to 15 percent for medium and large companies and reduced the tax rate to 7.5 percent companies with less than \$80,000 in annual turnover. The package also implemented a progressive personal income tax removed the cap for health insurance contributions and eliminated many tax breaks and incentives in the oil and gas sector.

U.S. exporters often complain about the unequal and inappropriate application of reference prices, which Customs uses to assess duties on goods imported into Albania. The new administration has pledged to eliminate the use of reference prices for imports from the United States and the European Union by 2015.

### ***Visa requirements***

Visa requirements to obtain residence or work permit requirements are straightforward and do not pose an undue burden on potential investors. The only potential complication to obtaining a work permit is the requirement that a foreign employer maintain a mandated number of local employees. The Law on Foreigners approved in April 2013 states that a foreign employer will be granted a work permit provided that the number of foreign employees in his company does not exceed 10 percent of the total number of employees on the payroll for the 12 preceding months.

The Law on Entrepreneurs and Commercial Companies sets guidelines on the activities of companies and the legal structure under which they may operate. The government adopted the law in 2008 to conform Albanian legislation to the European Union's *acquis communautaire*. The most common type of organization for foreign investors is a limited liability company. (See "establishment" below for other forms.)

### ***Business Licenses***

The National Business Registration Center serves as a one-stop-shop for business registration. Starting a business is now easier with online publishing of forms and procedures, reduction of registration costs, and the consolidation of tax, health insurance, and labor registration into a single application. The opening of the Business Licensing Center in 2009 streamlined the licensing process by abolishing many licensing requirements and simplifying other licensing procedures.

### ***Public Procurement***

Albania improved public procurement procedures by introducing an e-procurement law in 2006. The government eliminated direct tendering (except for defense procurements) and introduced criteria to identify abnormally low bids. The Public Procurement Advocate performs functions similar to an ombudsman by safeguarding the rights and interests of bidders against acts or omissions by contracting authorities. However, companies continue to 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. In one recent government procurement tender, the relevant ministry changed the terms of the tender

after the process had begun, and after a number of international companies had already submitted bids.

### ***Concessionary Projects***

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

- Electricity and heating: generation and distribution ;
- Health;
- Natural gas distribution;
- IT and database infrastructure: service and maintenance ;
- Prison and judicial infrastructure;
- Recycling projects, rehabilitation of land and forests;
- Industrial parks and mining;
- Housing, governmental buildings;
- Solid waste: collection, transfer, processing and administration ;
- Telecommunication;
- Tourism, leisure and hotels
- Culture and sports;
- Science and education;
- Transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking facilities, public transport);
- Water: production and distribution, treatment, collection distribution and administration of waste water, irrigation, drainage, cleaning of canals, dams;
- Public services: management contracts, including those related to sectors specified above.

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

The government does not screen foreign investment and U.S. investors are popular with both government officials and ordinary citizens. Political change, however, can be of concern to foreign investors. Following 2013 elections and a peaceful transition of power, the new government has revoked or attempted to renegotiate numerous concession agreements, licenses, and contracts signed by the previous government with international investors. In numerous instances, the current government has stated that the previous government either awarded the concessions in an unlawful manner, or the concession holder or licensee is not complying with the terms of the agreement, or that

the existing agreement simply is not in Albania's best interest. 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**

Moody's Investors Service assigned Albania its first-ever sovereign rating in 2007, with the current rating for long term local and foreign currency standing at B1. On April 2014, Standard and Poor's (S&P) upgraded Albania's economic outlook from "negative" to "stable."

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	116 of 177	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	54 of 177	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	90 of 189	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	93 of 142	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita (USD)	2012	4,030	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

**TABLE 1B - Scorecards:** The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: [http://www.mcc.gov/pages/selection/scorecards\\_](http://www.mcc.gov/pages/selection/scorecards_) Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>

MCC scorecard	2013	2012	2011	2010	2009	2008	2007
MCC Government Effectiveness	0.24	n/a	n/a	0.08	0.00	-0.15	-0.33
MCC Rule of Law	-0.03	n/a	n/a	-0.24	-0.22	-0.20	-0.47
MCC Control of Corruption	-0.09	n/a	n/a	0.09	-0.12	-0.30	-0.34

MCC Fiscal Policy	-5.0	n/a	n/a	-4.20	-3.60	-3.98	-4.41
MCC Trade Policy	79.8	n/a	n/a	85.80	75.80	63.20	57.40
MCC Regulatory Quality	0.62	n/a	n/a	0.60	0.24	0.01	-0.01
MCC Business Start Up	0.959	n/a	n/a	0.98	0.97	0.97	0.39
MCC Lands Rights Access	0.80	n/a	n/a	0.87	0.81	0.73	n/a
MCC Natural Resource Management	58.8	n/a	n/a	97.29	79.65	79.43	n/a

## 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) is the most specific piece of legislation regarding foreign exchanges.

### **Capital Controls**

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

The 'Law on Foreign Investment' guarantees the right to transfer and repatriate any funds associated with an investment from Albania into a freely usable currency at a market-clearing rate. Only licensed entities (domestic banks, foreign bank branches, and foreign exchange offices) may conduct foreign exchange transfers and the central bank requires these entities to report their foreign exchange activities on a regular basis. These entities also are obliged to complete and maintain all documentation required for transfers abroad. 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 imprisonment.

Although the Foreign Exchange Regulation provides that residents and non-residents may transfer capital within and into Albania without any restrictions, capital transfers out of Albania are subject to certain documentation requirements. Physical persons must submit a request indicating the reasons for the capital transfer, the amount of capital transferred outside the territory of Albania, and the address to which the capital will be transferred. Such persons also must submit a declaration on the source of the funds to be transferred. Delays in value added tax (VAT) reimbursements from the government remain a serious issue for both domestic and foreign investors, with delays exceeding 60

days and occasionally reaching to several months or even years. The new government has pledged to pay back VAT arrears and to streamline VAT reimbursement procedures in order to avoid accumulation of arrears in the future.

The Bank of Albania maintains a floating free exchange rate regime for its domestic currency, the Lek. Foreign exchange is readily available at banks and exchange bureaus. However, in case of large amounts, preliminary notification is necessary as the exchange market in Albania remains small. The Lek is a historically stable currency and the risk for devaluation over the next year is unlikely. Albanian authorities do not engage in currency arbitrage and do not view it as an efficient instrument to achieve competitive advantage.

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

## **Expropriation and Compensation**

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

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

The government has presented three methods of compensation for confiscation claims: restitution; compensation of property with similarly-valued land in a different location; and cash settlement/financial compensation. In practice however, a lack of funding and the large amount of claimants has significantly slowed the restitution process. Albanian governments have not engaged in expropriation actions against U.S. investments, companies or representatives. There have been limited cases when the government has revoked licenses, especially in the mining and energy sectors, based on contract violation claims.

## **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 the separation of legislative, executive, and judicial branches; thus supporting the independence of the judiciary. The Civil Procedure Code enacted in 1996 governs civil procedure in Albania. The civil court system consists of district courts, appellate courts, and the Supreme Court. In 2012, Albania approved the law on administrative courts, and these courts began operation in late 2013. The administrative courts of first instance, the Administrative Court of Appeal and the Administrative College of the High Court, now adjudicate administrative disputes. Administrative courts aim to enable fast adjudication of administrative cases, but their efficacy remains to be proven. The Constitutional Court reviews whether laws or subsidiary legislation comply with the Constitution and in limited cases protects and enforces the constitutional rights of citizens and legal entities.

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

Albania does not have a specific commercial code, but defines commercial legislation through a series of commercial laws. Relevant laws include:

- Foreign Investment Law;
- Commercial Companies Law;
- Bankruptcy Law;
- Environmental Law;
- Corporate and Municipal Bonds;
- Transport Law;
- Maritime Code;
- Secured Transactions Law;
- Employment Law;
- Taxation Procedures Law;
- Banking Law; Insurance and Reinsurance Law;
- Concessions Law;
- Mining Law;
- Energy Law;
- Water Resources Law;
- Waste Management Law;
- Excise Law;
- Oil and Gas Law;
- Gambling Law;
- Telecommunications Law;
- Value Added Law;
- Sports Law.

### ***Bankruptcy***

The Bankruptcy Law governs the reorganization or liquidation of insolvent businesses. It sets out non-discriminatory and mandatory rules for the repayment of the obligations by

a debtor in a bankruptcy procedure. The law establishes statutory time limits for insolvency procedures, professional qualifications for insolvency administrators, and an Agency of Insolvency Supervision to regulate the profession of insolvency administrators. A simplified insolvency procedure for small businesses is also in place.

### ***Investment Disputes***

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

### ***International 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 also has ratified the 1927 Convention and the European Convention on Arbitration (Geneva Convention). In order to have an arbitration settlement recognized by the government, a claimant must bring the award before the Court of Appeals. The Albanian Appellate Court may refuse to recognize the foreign arbitral award because:

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

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

## **Performance Requirements and Incentives**

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### ***Performance Requirements***

Albania does not have any performance requirements that are inconsistent with the WTO Trade-Related Investment Measures (TRIMs) obligations. Albanian law does not impose performance requirements on foreign or domestic investors. Furthermore, the bilateral investment treaty between the two countries prohibits either party from mandating or enforcing performance requirements as a condition for the establishment, acquisition, expansion, management, conduct, or operation of a covered investment. According to Albanian law, a foreigner can purchase commercial property only if the investor plans to improve the value of the property by three times the purchase price. Although visa, residence, and work permit requirements are straightforward and do not pose an undue burden on potential investors, the new Law on Foreigners approved in 2013 requires foreign investors to prove that foreign employees are less than 10 percent of total employees before granting a work permit.

### ***Investment Incentives***

The 2005 'Law on State Aid' regulates Albanian investment incentives for both foreign and domestic investors. The law governs all sectors of manufacturing and services, excluding agriculture and fisheries, and applies to both the central and local governments as well as other entities acting on behalf of the state that confer benefits to particular enterprises. Some of the major incentives are listed below:

- Tax exemption of dividends designated for investments; Dividends and profit share paid by a resident or non-resident company to a resident taxpayer will not be subject to corporate income tax for the resident taxpayer.
- The government may lease or provide a concession for public property of more than 500 square meters for the symbolic price of one euro if the investor will use the property for manufacturing activities with an investment exceeding 10 million euros or for active processing activities.
- The government may lease or provide a concession for public property for the symbolic price of one euro for investments of more than two million euros for activities that address social and economic issues in a certain area, as well as activities related to sport, culture, tourism, and cultural heritage. Criteria and terms are decided on a case by case basis through a decision of Council of Ministers;
- Machinery and equipment purchases for investments worth more than \$500,000 are value added tax exempt. Machinery and equipment imported exclusively to

meet investment contracts related to the active processing or agribusiness sectors also are VAT exempt.

- Apparel and footwear producers are exempt from VAT and customs tariffs on raw materials as long as the finished product is exported.
- Albanian-registered entities that import certain machinery and equipment (as defined by law) for use in their business activity are exempt from customs duties.

### ***Energy Sector Incentives***

- The government 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 Regulating Entity. The Law on Concessions establishes the necessary framework for promoting and facilitating the implementation of privately financed concessionary projects.
- Cement and iron imported for the construction of hydropower plants is VAT exempt.

### ***The hydrocarbons sector (exploration – exploitation)***

- Licensees operating in the hydrocarbon sector pay profit tax at the rate of 50 percent, but may deduct capital, operating, and administrative expenses, in accordance with the respective hydrocarbons agreement.
- The import of goods or services related to the performance of the exploration/research phase of petroleum operations, carried out by contractors who work for these operations, are VAT exempt.

## **Right to Private Ownership and Establishment**

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Albanian law permits private ownership and establishment of enterprises and property. Foreign investors do not need additional permission or authorization beyond that required of domestic investors. The government applies restrictions only on the purchase of real estate: agricultural land cannot be purchased by 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.' The National Licensing Center (NLC) serves as a one-stop-shop for business licenses. More information on the types of licenses and application procedures is outlined at [www.qkl.gov.al](http://www.qkl.gov.al)

The 2007 'Law Establishing the National Registration Center' (NRC) allows business entities to register in a single place, in one day, for one euro. More information on the 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; 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 Property***

Real Estate is registered at the Real Estate Registration Office or Registrar's Office. The procedures are cumbersome and there are frequent issues regarding claims to property titles. Recent changes in legislation allow a notary public to have access to real estate registers and confirm the legal ownership of property. For large transactions, it is still advisable to hire an attorney to check documents and procedures for property registration.

In 1991, following the fall of communism, the Albanian government 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 unresolved. Despite some progress, immovable property rights remain unclear. The process of registering property is cumbersome and difficult to navigate, a significant reason why approximately 15 percent of properties nationwide still are not registered, mostly in urban and high value coastal areas. Illegal construction is a major impediment to securing property titles. The legalization process to address large scale illegal construction started in 2006 and is still ongoing. There are an estimated 350,000 illegal buildings in Albania.

Property legislation has developed in a piecemeal and uncoordinated way resulting in overlapping property titles and lengthy legal disputes. The civil court system manages property rights disputes. Decisions from civil courts often take many years and authorities often do not enforce court decisions.

These unresolved property issues have undermined efforts to develop a functional land market. In an effort to address the negative impact, the Albanian government approved a law in 2010 that grants special protection to foreign investors who make investments in excess of \$13 million on property made available by the government.

### ***Intellectual Property***

#### ***Copyright***

Albania is not and never has been on the Special 301 Watch List or Priority Watch List. However, IPR infringement and theft are common due to weak legal structures and poor enforcement. 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 its enforcement. Regulators are ineffective at collecting fines and prosecutors rarely press charges for IP theft. U.S. companies should consult an attorney

experienced in IPR issues and avoid potential risk by establishing solid commercial relationships and drafting tight contracts.

The Albanian government persists in failing to enact key legislation that would strengthen IPR enforcement and address shortcomings in existing legislation. The new law "On Copyrights" has remained in draft form since 2009 and is unlikely to pass in 2014.

The main institutions responsible for IPR enforcement include the Albanian Copyright Office (ACO), Audiovisual Media Authority (AMA), the General Directorate of Patents and Trademarks (GDPT), the General Directorate for Customs, Tax Inspectorate, Prosecutor's Office, police, and the courts. Most IP-related fines are never collected and the few cases that the regulatory agencies refer to prosecutors are rarely enforced. Political disputes over who should be the AMA director have further reduced the organization's ability to fight cable and content theft.

The Albanian Copyright Office (ACO), established in 2006, is the main institution responsible for monitoring and implementing Albanian copyright law, but the ACO lacks administrative and institutional capacity. Law enforcement on copyrights remains virtually nonexistent and copyright violations are rampant. The AMA, which regulates broadcast and cable television, has been ineffective in fighting content theft in the broadcast sector. The number of cases of violation of copyright law brought to court remains low. ACO sanctions are not effective and the low fines it levies are rarely collected and do not serve as an adequate deterrent. In 2010, a 'Law on Administrative Contraventions' was adopted to improve collection of fines for infringement of copyrights, but enforcement of this law remains weak to non-existent.

### ***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, the Albanian government approved the Industrial Property Law and a number of by-laws and regulations, but the GDPT still needs further capacity building and additional human resources. The General Directorate of Customs includes an IPR protection directorate and has the powers to act ex officio to seize counterfeit goods.

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

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

### ***Contact at Mission who covers IP issues at the post:***

Name: Donald Brown  
Title: Economic and Commercial Officer  
Mobile: 00355684077037  
Landline: 0035542247285 ext. 3115  
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## **Country Resources:**

Post's link to public list of local lawyers:

[http://tirana.usembassy.gov/list\\_of\\_attorneys.html](http://tirana.usembassy.gov/list_of_attorneys.html)

Local American Chamber of Commerce: [www.amcham.com.al](http://www.amcham.com.al)

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

Other independent agencies and bodies, including the Energy Regulator, Telecom Regulator, and other major institutions operate to ensure transparency in specific sectors. New legislation on public procurement introduced e-procurement and resulted in improved transparency in public procurements. However, as in many other areas, the proper enforcement of the law remains a challenge and problems with tender procedures are frequent. Business registration and licensing are streamlined through the one-stop-shop centers for registration and licensing. Although business registration is an easy step, licensing still remains cumbersome in some sectors. Albanian legislation includes rules on disclosure requirements, formation, maintenance and alteration of capital, mergers and divisions, takeover bids 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.

Although the government publishes all laws on the Official Gazette and online at [legjislacioni.gov.al](http://legjislacioni.gov.al), the business community often complains that the government does not publish draft laws and regulations for public comment and does not consult stakeholders before passing new regulations or legislation. Even when there is a public consultation on certain legal initiatives, the time frame for comment is generally short and stakeholder input often is not incorporated into the final version. The recently established National Economic Council pledges to improve the legislative consultation process with stakeholders, but its impact remains to be evaluated.

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

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In the absence of a functioning stock market, the country's banking sector remains the main channel for business financing. It is sound, profitable, and well-capitalized,

although a growing rate of non-performing loans remains a concern. At the end of 2013, nonperforming loans reached 23.5 percent of all private loans compared to 4.3 percent before the financial crisis of 2008. However, capital adequacy at 18 percent -- far above Basel requirements -- indicates the sector currently has sufficient assets, which totaled USD 13 billion in 2013. The banking sector is fully private and consists of 16 banks, most of which have foreign shareholders. The Austrian Raiffeisen Bank predominates with approximately 23 percent of all banking sector assets, followed by the Turkish National Commercial Bank with 21 percent. The market share of Greek banks has significantly decreased in recent years, with French and Italian banks filling the void. The two main Albanian banks possess approximately 10 percent of sector assets. Raiffeisen, Intesa San Paolo, Societe General, and Alfa bank are the most internationally recognized banks.

Albania's banking sector weathered the financial crisis better than many of its neighbors, largely due to a lack of exposure to international capital markets and domestic housing bubbles. There is sufficient liquidity in the market to enter and exit sizeable positions. The sector remained profitable even during the peak of the financial crisis when it suffered a reduction of deposits of about 15 percent. In 2013, profits reached \$88 million with a 0.5 percent return on assets and 6.4 percent return on equities. Market concentration remains high as the five largest banks dominate the market with about 72 percent of total assets. As of December 2013, there were 549 banking outlets nationwide. The number of debit/credit cards, ATM, and Point-of-Sales terminals continues to grow rapidly. The annual volume of transactions with debit/credit cards however, is only 1.3 percent of total deposits.

The Bank of Albania has the flexibility to intervene in the currency market to protect exchange rates and official reserves, but only for a period not exceeding 12 months. In 2009, following the global financial crisis, the central bank restricted the distribution of domestic banking sector profits in order to maintain sufficient liquidity in the sector but lifted the restriction in July 2010. The Bank of Albania further loosened monetary policy in 2013 and again in February 2014, with official central bank interest rates reaching a historical low of 2.75 percent.

### ***Commercial Credit***

The Albanian government has adopted policies promoting the free flow of financial resources as a mechanism to promote foreign investment in Albania. The government and Central Bank refrain from restrictions on payments and transfers for international transactions. Foreign investors have no requirements to establish a bank account or to receive credit from banks operating in Albania. The credit market is quite competitive but interest rates can be high, currently between 10 and 14 percent. Most mortgage and commercial loans are denominated in euros as rate differentials between local and foreign currency average 3-4 percent. Commercial banks have improved the quality and quantity of services they offer and 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 bank operating costs remain concerns for investors looking for access to credit. Portfolio investments remain limited mostly to company shares, government bonds, and real estate.

## Competition from State Owned Enterprises

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The privatization process of State Owned Enterprises (SOEs) in Albania is nearly complete and the few remaining SOEs primarily are in the utilities sector. SOEs operate in the energy generation, electricity transmission, water supply, ports, railway, insurance, postal services, and hydrocarbon sectors. In recent years, the government also has granted concessions for a large number of services previously performed by state owned companies.

SOEs are defined as legal entities which are entirely state-owned or state-controlled and operate as commercial companies in compliance with the Law on Entrepreneurs and Commercial Companies. They are not delegated any governmental powers and do not enjoy any advantages when it comes to financing. The corporate governance structure of the SOE includes the Supervisory Board and the Directorate. The Supervisory Board is comprised of 3-9 members, who are not employed by the SOE and are appointed one third by the Ministry of Economy, one third by the Ministry of Finance and one third by the line ministry or institution to which the company reports. The Supervisory Board and the Shareholder's Assembly, which is the highest decision making authority, appoint the Administrator for the SOE. There are no requirements for the SOEs to adhere to OECD guidelines.

In general, there is no discrimination between public and private companies operating in the same sector. The government requires SOEs to submit annual reports and undergo independent audits. SOEs are subject to the same domestic accounting and international financial reporting standards as all other commercial companies. The High State Audit is the institution that audits the activity of the SOEs. SOEs also are subject to public procurement law.

## Corporate Social Responsibility

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Public awareness of corporate social responsibility (CSR) in Albania is low and CSR remains a relatively new concept for the majority of the business community. Efforts from international organizations to promote CSR awareness, however, are beginning to bear fruit. The small amount of CSR engagement in Albania primarily comes from the energy, telecommunication, heavy industry, and banking sector and tends to focus on philanthropy and environmental issues. The government maintains relatively robust CSR, labor and employment rights, consumer protection, and environmental protection legislation, but enforcement and implementation is inconsistent.

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

## Political Violence

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Political violence is rare. Albania's June 2013 elections and subsequent September 2013 transition to a new government were peaceful. However, four protesters were shot and killed by security forces during a violent political demonstration on January 21, 2011. Albania is a source of stability in the region and maintains friendly relations with all neighboring countries.

## 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.

### **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/department/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/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/>

## **Bilateral Investment Agreements**

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

As of June 2013, Albania has concluded bilateral investment treaties with the following countries:

Austria, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Portugal, Republic of Korea, Romania, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, USA, Denmark, Tunisia, Russia, Poland, Malta, Israel, Egypt, Lithuania, Kuwait, Macedonia, Malaysia, Moldova, Ukraine, Azerbaijan, Islamic Republic of Iran, Qatar, San Marino, Serbia, Kosovo (UNMIK), and Cyprus.

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

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

For more information on OPIC please see [www.opic.gov](http://www.opic.gov).

For more information on MIGA, see [www.miga.org](http://www.miga.org).

## **Labor**

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Pursuant to the Labor Code and the "Law on the Status of the Civil Employee," individual employment contracts regulate labor relations between employees and management.

Albania has been a member of the International Labor Organization (ILO) since 1991 and has ratified 44 ILO international labor conventions. The Albanian government has established the National Council of Labor, composed of government officials, trade unions, management, and employers' associations, to improve social dialogue between stakeholders. The institutions governing the labor market include: Ministry of Welfare and Youth, Ministry of Innovation and Public Administration, National Employment Service, State Labor Inspectorate, and private actors such as employment agencies, and vocational training centers.

Both employees and managers have the right to form trade unions. Trade unions are organized both at the national level (according to industrial sector) and at the company level. The Labor Code guarantees the right to strike as part of the right to negotiate wages and working conditions. 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 typically cover an unlimited period of duration if not specified in the contract.

Albania has a labor force of about 1.1 million people. The official estimated unemployment rate in the last quarter of 2013 was 17 percent, but unemployment for people aged 18-29 was estimated at 28 percent. Approximately 45 percent of the population is self-employed in the agricultural sector. Almost 1.2 million Albanians have emigrated to Italy and Greece since 1991 and a majority of young Albanians speak English, Italian, or Greek as a second language. Other foreign language skills are common, as well.

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. In 2013, the average salary in public administration was 52,150 lek (\$520) per month. In July 2013, the government raised the minimum monthly wage applicable to both public administration and the private sectors to 22,000 lek (\$220), which still is among the lowest in the region.

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

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Albania currently has no operating free trade zones or free ports, although the legislation is in place to create them. The Law on the Establishment and Functioning of Economic Zones regulates the establishment of free trade zones and industrial parks near ports, airports, or at the crossroads of international transport. The Ministry of Economy proposes free trade zones, which are ratified by the Council of Ministers on a case-by-case basis. The Council of Ministers has the power to define the status of the zone (either a "free zone" or an "industrial park"), area and boundaries, the economic activities to be performed within the zones, time constraints, the type of permission (lease, concession, etc.), and selection procedures for the developer. Industrial parks may be used for production, manufacturing, agro-processing, export-import, and supporting activities.

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

1. Economic zone with the status of “Industrial Park” in Koplik, Shkoder.
2. Economic zone with the status of “Industrial Park” in Shengjin, Lezhe.
3. Economic zone with the status of “Industrial Park” in Spitalle.
4. Economic zone with the status of “Industrial Park” in Vlora.
5. Economic zone with the status of “Industrial Park” in Shkoder.
6. Economic zone with the status of “Industrial Park” in Lezhe.
7. Economic zone with the status of “Industrial Park” in Laknas, Tirana.
8. Economic zone with the status of “Free Zone” in a territory in Vlora.
9. Economic zone with the status of “Industrial Park” in Rrashbull, Durres.

However, the majority of these projects have not moved beyond the licensing phase, with only a few advancing modestly.

### Foreign Direct Investment Statistics

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**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other) Albania (Bank of Albania, Albanian Institute of Statistics)
<b>Economic Data</b>	Year	Amount	Year	Amount	
Gross Domestic Product (GDP) <i>(Billions U.S. Dollars)</i>	2012	12.3	2012	12.6	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a> <a href="http://www.instat.gov.al/">http://www.instat.gov.al/</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other

U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	2012	23	2012	-2	(BEA) click selections to reach. <ul style="list-style-type: none"> <li>Bureau of Economic Analysis</li> <li>Balance of Payments and Direct Investment Position Data</li> <li>U.S. Direct Investment Position Abroad on a Historical-Cost Basis</li> <li>By Country only (all countries) (Millions of Dollars)</li> </ul> Bank of Albania <a href="http://www.bankofalbania.org/">http://www.bankofalbania.org/</a>
Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	Not available	2012	0	(BEA) click selections to reach <ul style="list-style-type: none"> <li>Balance of Payments and Direct Investment Position Data</li> <li>Foreign Direct Investment Position in the United States on a Historical-Cost Basis</li> <li>By Country only (all countries) (Millions of Dollars)</li> </ul> Bank of Albania <a href="http://www.bankofalbania.org/">http://www.bankofalbania.org/</a>
Total inbound stock of FDI as percent host GDP ( <i>calculate</i> )	2012	Not available	2012	0	

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

### TABLE 3: Sources and Destination of FDI

The data on Albania on the IMF website <http://cdis.imf.org> are available only for 2011.

Direct Investment from/in Albania 2011					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	3,927	100%			
Canada	732	19%			
Greece	680	17%			
Austria	611	16%			
Italy	482	12%			
Turkey	365	9%			

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cdis.imf.org>

The Bank of Albania's data on FDI are available only until 2010 (US Dollars, Millions)

Direct Investments	2005	2006	2007	2008	2009	2010
--------------------	------	------	------	------	------	------

Foreign Direct Investments	258	315	639	874	925	1,091
Inward Foreign Direct Investments	262	325	663	959	965	1,103
Outward Foreign Direct Investments	-4	-11	-24	-84	-39	-12

Source: Bank of Albania <http://www.bankofalbania.org/>

Stock FDI data by Bank of Albania 2008-2012 (*US Dollars, Millions*)

Country	2008	2009	2010	2011	2012
Total FDI	3,017	3,132	3,228	4,734	4,500
Canada	12	141	358	737	907
Switzerland	201	150	90	758	651
Austria	272	306	469	618	640
Greece	828	776	797	706	579
Italy	470	482	513	595	558
Turkey	278	326	248	262	338
Netherlands	275	287	296	352	312
Cyprus	79	69	80	180	172
Germany	97	103	111	117	108
France	35	36	53	71	98
International Organizations	37	48	61	75	94
Cayman Islands	-	-	-9	79	68
United States of America	110	33	-130	-65	23

Source: Bank of Albania <http://www.bankofalbania.org/>

#### TABLE 4: Sources of Portfolio Investment

No data available for Albania on the IMF webpage <http://cpis.imf.org>

The Bank of Albania's data on Portfolio Investments are available only until 2010 but no breakdown according to sources (*US Dollars, Millions*)

	2005	2006	2007	2008	2009	2010
Portfolio Investments	-6	34	84	-38	27	312
Inward Portfolio Investments	-	-	58	46	9	421
Outward Portfolio Investments	-6	34	27	-83	19	-109

Source: Bank of Albania <http://www.bankofalbania.org/>

**Contact Point at Post**

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## Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
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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, 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 including letters of guarantee and letters of credit.

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 fully owned by private shareholders. Currently, there are 16 banks operating in Albania, only two of which are Albanian owned. The Austrian bank Raiffeisen remains the predominant bank with approximately 23 percent of the banking sector’s total assets followed by the National Commercial Bank with 21 percent. The Italian Intesa San Paolo, the Greek Alpha Bank, 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 amount of loans relative to total deposits and the lack of a domestic housing/real estate bubble. The sector remained profitable even during the peak of the financial crisis when it suffered a reduction of deposits by approximately 15 percent which it quickly recovered

in the following year. In 2013, profits reached \$88 million with a 0.5 percent return on assets and 6.4 percent return on equities. The banking sector has reached a stable stage after many years of expansion. In April 2014, there were 549 banking outlets nationwide, slightly less than in 2012, (there were just 127 in 2005). The number of debit/credit cards, ATMs, and Point-of-Sales terminals continues to grow rapidly. However, the annual volume of transactions with debit/credit cards remains very limited to approximately 1.3 percent of total deposits. As of April 2014, total assets of the banking sector amounted to approximately \$12.5 billion consisting mostly of bank deposits.

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.

More recently, the banking sector is experiencing new challenges as deposits are stalling and the stock of outstanding loans is slightly contracting due to the slowdown of the domestic economy. Banks continue to keep tight lending standards due to the rise of nonperforming loans. As of April 2014, nonperforming loans stood at 23.8 percent of all private loans compared to 4.3 percent before the 2008 financial crisis. However, capital adequacy at 18 percent – far above Basel requirements – indicates the sector has sufficient assets to withstand the negative trend. Moreover, the payment of a significant amount of government arrears to the private sector is expected to reduce the extent of bad loans and improve bank's confidence in the business sector in 2014 and 2015.

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 November 2013, Moody's confirmed its rating for Albania's government debt obligations at B1 with a stable outlook. In December 2013, Standard & Poor lowered its sovereign credit ratings on Albania to B from B+ with a negative outlook due to the significant unanticipated increase in the general government debt burden. However, in April 2014 S&P improved its outlook for Albania to Stable from Negative seemingly due to GOA's recent loan agreements with IMF and World Bank which are expected to mitigate the pressure on public finances.

Albania also has 20 non-banking financial institutions and 121 savings and loans associations. These institutions target medium sized businesses that are not primarily served by the commercial banking sector. They offer loans from \$1,000 to \$500,000. A detailed list is in the following address:

[http://www.bankofalbania.org/web/Unionet\\_e\\_Shoqerive\\_te\\_Kursim\\_Kreditit\\_5322\\_1.php](http://www.bankofalbania.org/web/Unionet_e_Shoqerive_te_Kursim_Kreditit_5322_1.php)

## **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 \$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/web/Rregjistri\\_i\\_Bankave\\_tregetare\\_50\\_1.php](http://www.bankofalbania.org/web/Rregjistri_i_Bankave_tregetare_50_1.php)

## **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 percent – 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 the private sector. In April 2014, total stock of

outstanding loans contracted by 2 percent mostly due to lower lending to the private sector. In April 2014, loans constituted 45 percent of total banking assets compare to 50 percent at the end of 2011. Corporate loans represent almost 73percent of banks' credit portfolios.

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. On May 30, the Bank of Albania lowered the key interest rate by 0.25 percent to the new record low of 2.5 percent marking the eleventh consecutive reduction since September 2011. 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 \$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. That remains so far the only Ex-Im Bank's exposure to Albania.

Ex-Im Bank's major programs include:

- Working capital guarantees that cover 90 percent 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 percent 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.

**Contact:**

1621 N. Kent Street #200  
Arlington, VA 22209-2131 USA  
Tel: (703) 875-4357  
Fax: (703) 875-4009  
Website: [www.ustda.gov](http://www.ustda.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 \$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 \$320 million and seeks equity investment opportunities in the communications, healthcare, consumer, and financial service industries across South East Europe and Turkey.

**Contact:**

Overseas Private Investment Corporation  
Information Officer, Office of External Affairs  
1100 New York Avenue, NW  
Washington, D.C. 20527  
E-mail: [info@opic.gov](mailto:info@opic.gov)  
Web: <http://www.opic.gov>

**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, shopping malls, chain 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 not recommended as railroads and trains are in very poor conditions. 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/content/passports/english/country/albania.html>

## 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. If you depart Albania during the one-year period or after a one-year stay and return after three months or more, you may re-enter and stay in Albania for a new one-year period without having to apply for a residence permit.

If you plan to stay for more than one year in Albania, you need to apply for a residence permit. Please visit the U.S. Embassy web page for instructions on how to apply for a residence permit.

<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.

State Department Visa Website: <http://travel.state.gov/visa/>  
<http://tirana.usembassy.gov/visas.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 \$1 per hour while most hotels, bars and restaurant have wi-fi.

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 in Albania, but since roaming charges are expensive, it is recommended to use prepaid cards offered by local carriers.

Albania's voltage is 220V and plugs and sockets in wide use are those of European type, C and F.

Albania's country code is +355, followed by the local land line or cellular phone number.

## 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 \$20-25.

For longer periods of travel or standby use, a car and driver can be rented for approximately \$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 \$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/content/passports/english/country/albania.html><http://tirana.usembassy.gov/medical-information.html>

Resources:

<http://spitaliamerikan.com>

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

<http://www.spitaligjerman.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 4:30 p.m. and on Friday from 8 a.m. to 2 p.m.

The Embassy will observe the following Albanian and U.S. holidays during the calendar year 2014:

January 1	New Year's Day (Albania/(U.S. Holiday)
January 2	New Year's Day
January 20	Martin Luther King's Birthday (U.S. Holiday)
February 17	President's Day (U.S. Holiday)
March 22	Nevruz
April 20	Catholic & Orthodox Easter
May 1	May Day
May 26	Memorial Day (U.S. Holiday)
July 4	Independence Day (U.S. Holiday)
August 29*	Big Bajram
September 1	Labor Day (U.S. Holiday)
October 14	Columbus Day (U.S. Holiday)
October 5*	Small Bajram
October 19	Mother Teresa's Day
November 11	Veterans Day (U.S. Holiday)
November 27	Thanksgiving (U.S. Holiday)
November 28	Independence Day
November 29	National Liberation Day
December 25	Christmas (Albania/(U.S. Holiday)

When an authorized American holiday falls on a Sunday, the office will be closed the following Monday. When such a holiday falls on a Saturday, the office will be closed the preceding Friday.

When an authorized Albanian holiday falls on a Saturday or Sunday, the office will be closed the following workday in accordance with local custom.

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

## 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 the individual's organization in Tirana stating the employment (period for at minimum 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

## Web Resources

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<http://travel.state.gov/content/passports/english/country/albania.html>

<http://travel.state.gov/content/visas/english.html>

<http://tirana.usembassy.gov/service.html>

<http://tirana.usembassy.gov/residency.html>

<http://tirana.usembassy.gov/medical-information.html>

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

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### Contacts

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#### Albanian Government

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

Edi Rama – Prime Minister  
<http://www.kryeministria.al>

Niko Peleshi – Deputy Prime Minister  
<http://www.kryeministria.al>

Ditmir Bushati- Minister of Foreign Affairs  
<http://www.punetejashtme.gov.al>

Mimi Kodheli - Minister of Defense  
<http://www.mod.gov.al>

Shkelqim Cani - Minister of Finance  
<http://www.financa.gov.al>

Damjan Gjiknuri – Minister of Energy and Industry  
<http://www.energjia.gov.al>

Arben Ahmetaj- Ministry of Economy, Trade and Entrepreneurship  
<http://www.ekonomia.gov.al>

Edmond Haxhinasto - Minister of Transportation and Infrastructure  
<http://www.mpptt.gov.al>

Edmond Panariti - Minister of Agriculture, Rural Development and Administration of Waters  
<http://www.bujqesia.gov.al>

Klajda Gjoshaj - Minister of European Integration  
<http://www.mie.gov.al>

Saimir Tahiri - Minister of Interior Affairs  
<http://www.punetebrendshme.gov.al>

Nasip Naco - Minister of Justice  
<http://www.dreitesia.gov.al>

Ilir Beqaj - Minister of Health  
<http://www.shendetsia.gov.al>

Eglantina Gjermeni – Minister of Urban Development and Tourism  
<http://www.turizmi.gov.al>

Mirela Kumbaro - Minister of Culture  
<http://www.kultura.gov.al>

Erion Veliq – Minister of Social Welfare and Youth  
<http://www.sociale.gov.al>

Lindita Nikolla –Minister of Education and Sports  
<http://www.arsimi.gov.al>

Lefter Koka - Minister of Environment  
<http://www.mjedisi.gov.al>

Milena Harito - Minister of Innovation and Public Administration  
<http://www.inovacioni.gov.al>

Ilirian Celibashi - Minister of State for Parliamentary Relations  
<http://www.kryeministria.al>

Bledi Cuci - Minister of State for Local Government  
<http://www.kryeministria.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://ffconsulting.al>  
<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 <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>

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**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>

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## Chapter 10: Guide to Our Services

The Administration's NEI/NEXT initiative aims to boost economic growth and support additional jobs by helping more U.S. companies of all sizes export to more overseas markets. Following the Agreement between the Department of State and Department of Commerce, U.S. Embassy Tirana entered into a partnership agreement with the Foreign Commercial Service Rome to offer customized services to U.S. companies aiming to enter the Albanian market.

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

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

For further information on any of services U.S. Embassy Tirana provides, 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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