

**Forum France / South-Eastern Europe**  
**Sofia, 6 July 2012**

# **Business and Investment Climate in Albania**

## **The role of the Albanian Investment Development Agency**

# **AIDA**

# Why Albania?

- Strong economic performance
- Excellent strategic location
- Free market access - FTA giving access to a bigger market – CEFTA, EFTA, Turkey, EU
- IMF since 1991, WTO since 2000, NATO since 2009
- In 2006, Albania signed the Stabilization and Association Agreement (SAA) with the European Union

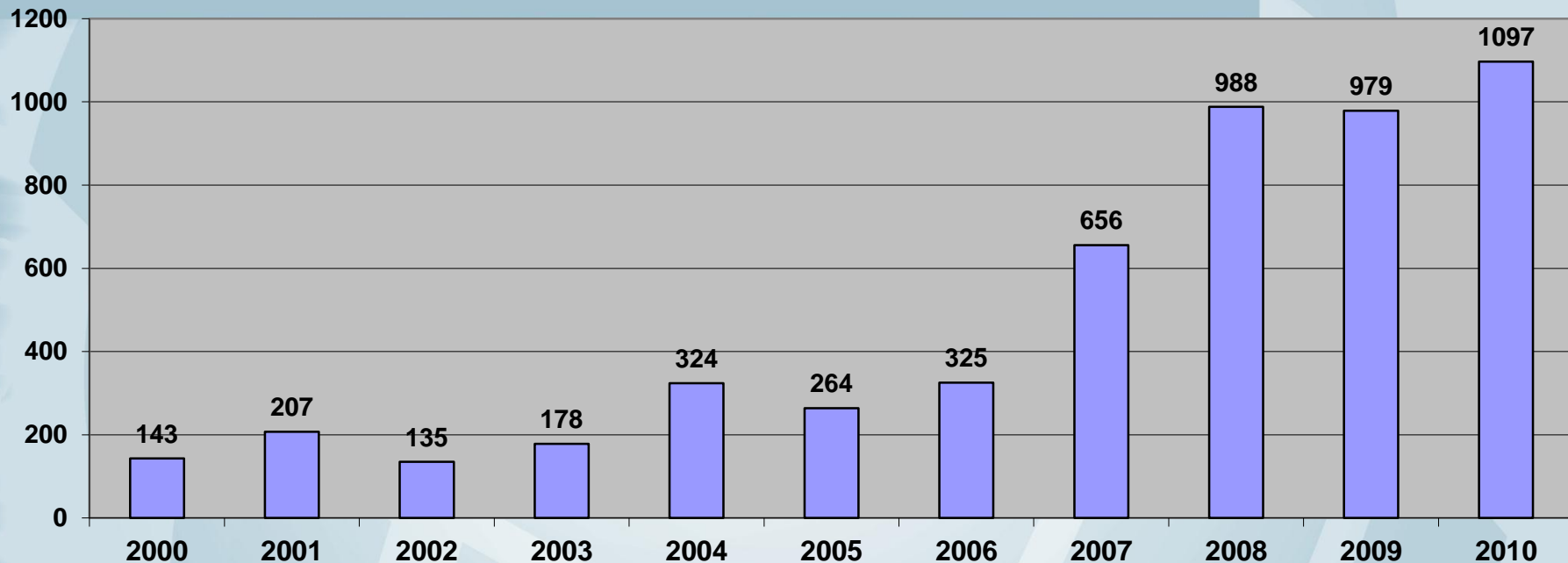
# Why Albania?

- Low taxes and incentives
- Dynamic, educated and cost competitive work force
- Business friendly regulatory environment
- High investment potential
- Liberal legal framework for foreign investments
- Improving infrastructure

# Albania in numbers

	2005	2006	2007	2008	2009	2010	2011
<b>Real GDP Growth (%)</b>	5.7	5.4	5.9	7.5	3.3 <sup>2</sup>	3.9	3.0
<b>GDP (current account prices, EURO milliard)</b>	5.8	6.3	6.9	8.9	8.7	9.0	9.4
<b>Unemployment as % of population</b>	14.1	13.8	13.2	12.7	13.8	13.5	12.9
<b>Inflation rate</b>	2.0	2.5	3.1	3.4	2.3	3.6	3.5
<b>Public Debt (as % of GDP)</b>	57.4	56.2	53.5	51.3	55.3	54.1	55.2
<b>Average exchange rate Leke/usd</b>	99.9	98.1	90.4	83.9	95.0	103.9	107.5
<b>Average exchange rate Leke /euro</b>	124.2	123.1	123.6	122.8	132.1	137.8	138.9

# Albania has attracted rising net FDI inflows over the past decade (US \$ mn)



Source: UNCTAD Data for FDI

# Albania in numbers

- On “starting a business”, Albania ranked 68th in 2009, moved to 46<sup>th</sup> in 2010 and 45<sup>th</sup> in 2011 in the global ranking. (Doing Business Report by WB)
- On “getting credit” and “protecting investors” Albania ranks 15th out of 183 countries in 2011 putting Albania among the top reformer countries (Doing Business 2011 by WB)
- Albania ranks 57<sup>th</sup> out of 165 countries according to The Heritage Foundation 2012 Index of Economic Freedom

# Annual stock of foreign direct investments in Albania

by country, in millions of Euro, source: Bank of Albania

	2007	2008	2009	2010
Greece	771	694	671	724
Italy	213	318	350	401
Austria	147	186	212	362
Canada	1	8	103	280
Turkey	154	190	234	279
Germany	52	66	76	84
Netherland	16	29	61	84
France	19	24	36	50
<b>Total FDI</b>	<b>1,815</b>	<b>2,040</b>	<b>2,233</b>	<b>2,640</b>

# Albania: FDI inflows by main economic activity

in millions of euro,

Activities	2006	2007	2008	2009	2010
Agriculture, hunting, fishing	2	2	-54	-9	0
Construction	8	51	147	19	44
Industry	69	56	369	300	394
Electricity and gas	0	4	2	143	88
Telecommunications	62	196	-61	84	97
Financial intermediation	30	136	167	120	138
Distribution, other services	88	25	95	59	33
<b>TOTAL</b>	<b>259</b>	<b>480</b>	<b>665</b>	<b>717</b>	<b>793</b>



# Trade Developments in 2011

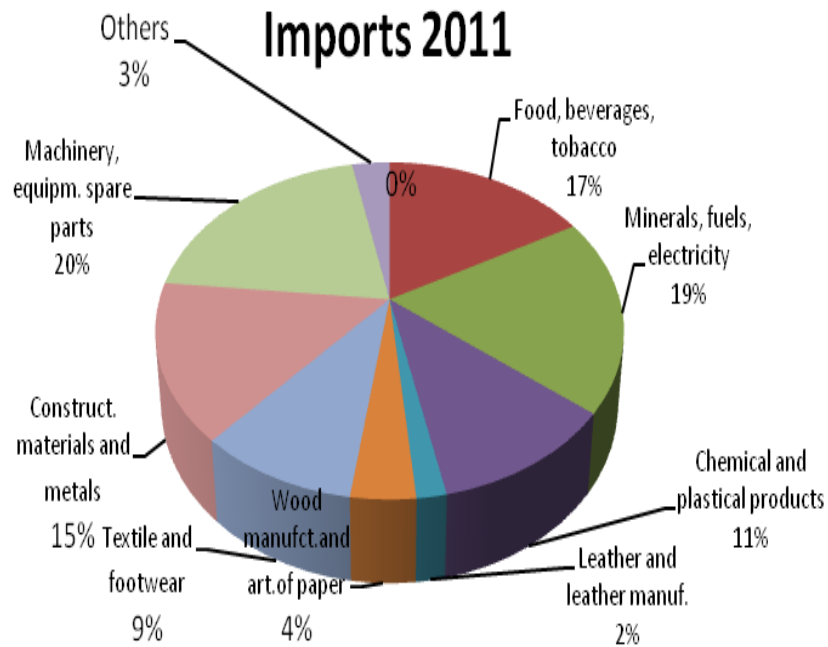
- Trade volume in 2011 rose by 23.9 % compare to 2010
- Imports rose by 18.3% and exports by 22.6%
- Total imports amounted to 3,865.11 million euro
- Total exports amounted to 1,406.87 million euro

# Trade Developments in 2011

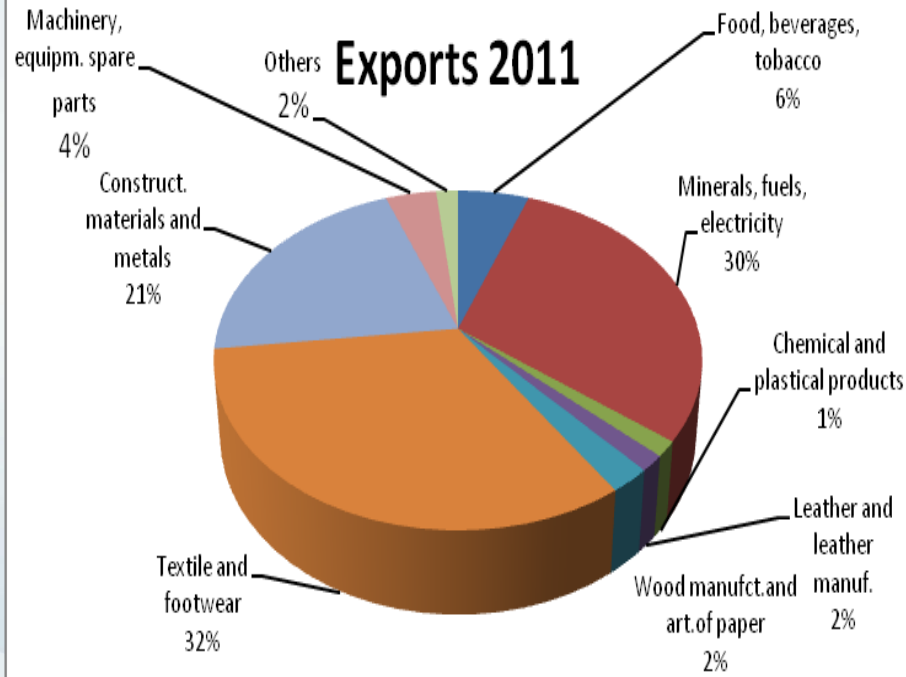
- EU provides for 64% of imports and receives 72.4 % of exports
- Albania imports mainly from Italy, Greece, China, Germany and Turkey
- Albania exports to Italy, Kosovo, Turkey, Greece, Spain and Germany.
- Italy and Greece represent respectively 30.5% and 10.6 % of imports, and 50.9% and 5.1% of exports.
- In 2010, Albania imported around 73 mln Euro from France and exported around 9.8 mln to France

# Trade by economic activity

## Imports 2011



## Exports 2011



# Low tax burden

- Flat corporate tax rate of 10% since January 1<sup>st</sup>, 2008
- Personal Income Tax rate of 10%
- Albania's tax system makes no distinction between foreign and domestic investors
- Treaties for the Avoidance of Double Taxation with many countries, included France

# Dynamic and well educated work force

- Over 1,071,948 young, well-educated professionals
- More than 57% of the population is under the age of 35
- 116292 number of students in the High Education
- English and Italian widely spoken. French and German included in the education system. Other regional languages are widely used

# Cost competitive workforce

- The minimum wage in Albania is 20,000 ALL (approx. 140 Euro).
- Social insurance is 27.9% of the gross salary, with the employer paying 16.7% and the employee 11.2%
- The average wage (public and private sector) is 36,075 ALL (approx. 260 Euro)

# Business friendly regulatory environment

- Registration of a business through the National Registration Center
- Licensing through the One stop shop model by the National Licensing Center
- Online system for tax filing and payments
- Business legal framework is in compliance with the EU legislation

# Legal Framework

- Law No. 7764, Nov. 2, 1994 “On Foreign investment”
- Law No. 9901, April 14, 2008 “On Entrepreneurs and Commercial Companies”
- Law No. 9663, Dec. 18, 2006 “On Concessions”
- Investment protection agreements with many countries, including France



# FDI Legal Framework

Law no 7764, Nov. 2, 1993 “On Foreign Investment”

- No prior government authorization is needed and no sector is closed to foreign investment
- No limitation on the percentage share of foreign participation in companies - 100 percent foreign ownership is possible
- Foreign investment may not be expropriated or nationalized directly or indirectly

# FDI Legal Framework

Law no 7764, Nov. 2, 1993 “On Foreign Investment”

- Foreign investors have the right to expatriate all funds and contribution in kind of investments
- No distinction is made between foreign and domestic investors
- State protection on legal disputes for investments over 10 Million Euro

# Investment potential

- Energy Sector
- Tourism Sector
- Agriculture and Food Processing Industry
- ICT Sector
- Construction Sector

# Energy Sector

- Government policy oriented towards development through the Public Private Partnership model
- Unexploited potential in renewable energy production (hydro, solar and wind)
- Favorable legal framework
- Single Service window for licenses and permits for energy project (National Licensing Center)

# Mining Sector

- Albania is rich in mineral resources  
Chrome, Iron, Copper, Coal, Gypsum, construction materials
- One stop shop for licenses  
Prospecting, Exploration, Mining  
Mining through concession agreement

# Agriculture and food processing

## Key reasons to invest:

- Fertile soil, mild climate and abundant water supplies with great potential productivity
- Fruits and vegetables, edible oil, nuts, herbs and spices, fisheries, dairy
- Well educated and motivated workers and management
- Low wages

# Agriculture and food processing

- Great potential to improve current productivity technological innovation
- Development of Organic agriculture
- Rapid growth of domestic markets and accessibility of regional markets for export – Investors should take advantage of preferential trade agreements with the EU to increase exports

# Tourism

- Geographical location, seasonal climate, archeological, historic and religious sites
- National politics in the sector
- Improvements in road infrastructure
- International touristic destination – Media like USA  
Today, NY Times put Albania in the top list



# Tourism

- Lonely planet – 1<sup>st</sup> of the top 10 places to visit for 2011
- Untapped tourism - Rugged mountains, untouched villages and stunning coast
- Numbers of visitors of foreign citizenship for Jan.-May 2011, has increased by 40% compare to same period in 2010
- Lack of touristic infrastructure – Untapped potential for mountainous and coastal tourism

# The Albanian Investment Development Agency

## AIDA

- The newest National Agency focused on investment promotion and proactive support to businesses foreign and domestic
- Management Board chaired by the Prime Minister
- The next step in a long track of successful Government reforms aimed at improving the business climate in the country

# What we will do?

- Facilitate and support direct investment in Albania, through the identification and promotion of investment opportunities, offering services and support to existing or potential investors;
- Increase the competitiveness of small and medium-sized enterprises, enabling the improvement of products and services and the technology they use, offering mechanisms to increase their technical capacity and skills' renovation;
- Promote and support exports of goods and services by providing support services as well as financial assistance to exporting companies, and export promotion, by governmental or donors' programs.

# How we can help?

- Studies, research on the business climate;
- Information about business conditions and opportunities in Albania;
- Contacts within national and regional government agencies - Links with potential partners;
- Detailed statistical and survey data about Albania and its key sectors;
- Identification of sites and buildings;
- Project management support throughout the investment cycle.

# Let AIDA help you make Albania your Investment destination

## Contact Information

Address: Blvd Gjergj Fishta  
Pall Shallvare  
Tirana, Albania  
Tel: +355 42251001  
[info@aida.gov.al](mailto:info@aida.gov.al)  
[www.aida.gov.al](http://www.aida.gov.al)

