



STRATEGIC SECTORS

Low and incentives

Foreign Investments

Law "On Foreign Investment" No. 7764, dated 2.11.1993 aims to ensure a favorable investment climate for foreign investors in Albania.

- Equal treatment;
- No prior authorization is needed for foreign investments;
- No limitation on the percentage share of foreign participation in companies;
- No expropriation and nationalization;
- Expatriation of all funds and contributions in kind related to investments;
- Special state protection.

Strategic Investments

The new law stimulates and supports strategic investments in fast growing sectors. It facilitates administrative procedures, increases transparency and reduces legislative complexity for strategic investments.

- Fast track procedures;
- Support with the necessary infrastructure;
- Land consolidation;
- Provision of immovable assets to develop and implement strategic investment projects;
- Higher legal guaranty to foreign investments.

STRATEGIC SECTORS

- Energy and mining;
- Transport, telecommunications, infrastructure and urban waste;
- Tourism;
- Agriculture and fisheries;
- Economic zones;
- Priority Development Areas.



ENERGY:

Albania has a great potential in the sector of energy. Big Power Stations like TAP, Devolli, etc., are success stories. Others are being built in Pocom and Kalivac etc. Investments are welcome and will continue to grow in the renewable energy sector, distribution sector, gas sector, and so on.

A Master Plan for Gas has been prepared, which will raise the interest for investments in this area. In addition, the Ministry in charge is in the process of evaluating and designing other projects deriving from the TAP project.

- Further liberalization of the energy market;
- Gasification;

Hydro Energy

- Eight large rivers, fed by hundreds of smaller rivers and streams, run through the country from the mountainous East to the Adriatic and Ionian seas to the West.
- The average height of the hydrographic territory of Albania is about 700 m above sea level.
- Potential installed capacity of 4,500 MW;
- Average power production of 4.2 Terawatt-hour (TWh);
- Potential annual power production of 16-18 TWh;
- Only 35% of hydroelectric energy potential is currently being utilized.

Solar Energy

The Albania's geographical position and meteorology provide favorable conditions for a sustainable development and production of solar energy.

Wind Energy

Albania has an untapped wind power potential, in particular along the Adriatic coast. The coast line is in the direction of North-South.

- Average annual wind speed of 6-8 m/s
- Average energy density of 250-600 W/m²
- Potential for at least 20 oleic electricity centrals
- There are already several domestic and foreign licensed investors exploring wind power production in Albania.



MINING

Albania is rich in mineral resources: chromite; copper; iron-nickel and nickel silicate; bitumen and tar sand; limestone; silica sand; clays and gypsum, etc.

- Among the fastest growing sector in the country.
- Before 1990, Albania was the third largest world producer of chromium & currently the only European country with substantial reserves of this mineral;
- The general amount of reserves is reported to be more than 10 mln tons.
- High – quality & experienced engineering & technical workforce;
- Competitive labor costs;
- Easy access to international markets
- Investments are welcome and will continue to grow in this sector, particularly on mineral processing, etc.,

According to the sector and the value of the investment, for energy, mining, transport, electronic communications infrastructure and urban waste sectors, when the investment is:

- i) equal or greater than 30,000,000 (thirty million) Euros to benefit from the status of "Investor / Strategic Investor, assisted procedure";
- ii) equal or greater than 50 000 000 (fifty million) euros, benefit from the status "Investor / Strategic Investor, special procedure".

INFRASTRUCTURE

Transport and infrastructure are fundamental sectors for the country's economic and social development and direct contributors to economic growth and employment. In cooperation with the countries of the region and the EU, efforts are being made to accelerate the integration of the road system into Balkan and Pan-European Transport networks by creating an integrated market in order to efficiently support the development of transport.

The short-term objective is to ensure the implementation of the cross-border agreement with Montenegro, as part of the Adriatic-Ionian highway project, while the medium term is related to increasing the efficiency of other cross-border agreements.

On focus are road infrastructure, investments on water and energy infrastructure, especially in areas where we think we can attract the largest number of tourists, broadband infrastructure etc.

The entire road master plan is under discussion with the World Bank. A 74 million \$ project will be used to build a tourist ring, which begins from Apollonia along the South Coast up to Gjirokastra and continues to Berat.



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For the second regional road project the focus will be on infrastructure supply of tourism priority areas. The objective is to bring closer industrial markets, agricultural products' markets and tourism, tourist centers and main roads, through the major national segments.

The 1 billion package will boost the country's economic development and be accompanied by a series of investments that will be financed by state-private capital but also by private capital. e.g.:

- Milot-Balldrem Corridor, part of the Blue Corridor (a feasibility study already exists)
- The Thuman - Kashar segment will be built with PPP.
- Saranda Airport as a tourist destination. (a feasibility study already exists)
- A feasibility study for the Adriatic-Ionian corridor;

There are other projects offered with TOLL where the financial risk is taken by the private investor, etc.,

Investments will also be promoted in the rail network, in the field of goods and cargo operating in these lines, e.g.:

- rehabilitation and construction of the Durrës-TIA-Tirana rail segment.

TOURISM

Tourist resources in Albania are numerous including coasts and alps, 300 sunny days per year, thus it is building its national policy for attracting investment and turning this sector into a manufacturing industry for the country's economy.

The recently adopted tourism law aims to further develop this sector and establish fair competition in the market, reducing the level of exclusion from VAT.

The development of this sector focuses on 4 main poles:

- New South, or the elite tourism sector;
- Albanian Alps, unique in the region;
- classical coast;
- capital city.

These 4 poles have also been included in the fiscal policies of the government aiming to attract more foreign investments. The final goal is to have tourist seasons throughout the year.

To boost elite tourism and attract foreign operators in the field of tourism and for the development of 5-star hotel services with special status, the following incentives have been undertaken recently:

- State land for investments on tourism with 1 euro for 99 years;



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- Facilitated procedures for foreign investors who want to invest in Albania.
- Application of reduced VAT rate, respectively 6%, for supplies to 5 star hotels with special status.
- The VAT has been reduced from 20% to 6% for all hotel services.
- Zero Infrastructure Tax.
- Zero Property Tax.
- Zero profit tax for 10 years.
- Exclusion from profit tax for the first 10 years of fiscal accommodation for all accommodation structures, hotels with 4 or 5 stars with special status.
- Changing the table tax levels, aiming for a new table tax reclassification, which takes into account the type of table set, the surface that the table holds, the preservation of the categorization of the current division in the municipality.
- Simplification of declaration procedures for small business.
- Reducing the minimum VAT registration limit for a particular category from 5 to 2 million, aligning with the average of the region (Montenegro has the VAT registration limit of 18 thousand euros, Macedonia of 16 thousand euros, Greece of 10 thousand euros)
- The deregulation reform will help simplify procedures for citizens and businesses, avoiding procedural bureaucracy and for foreign investors.
- Improving doing-business procedures.
- The Economic Zones Law provides zero rate within the free economic zone and supports investors also as regards infrastructure apart from tax facilitations.
- The Strategic Investment Law provides support to road infrastructure, energy, wastewaters and clean waters up to the boundaries of the investment.
- **According to the sector and the value of the investment**, for the "Tourism" sector (Tourism Structure) when the investment is:
 - i) equal or greater than 5,000,000 (five million) Euros, creating minimum 80 new jobs, investors / projects benefit from the status of "Investor / Strategic Investor, assisted procedure"
 - ii) equal or greater than 50 000 000 (fifty million) euros, benefit from the status "Investor / Strategic Investor, special procedure".

AGRICULTURE AND AGRO- PROCESSING INDUSTRY

Agriculture accounts for almost 30% of the country's GDP, of which 6-7 % are produced by the agro-processing industry. This sector has experienced a significant increase in both production and exports. The export / import ratio has narrowed from: 1 to 9, to 1 to 4. In the last two years, about 65,000 new jobs have been created, mainly in services and manufacturing.

- Advantages from preferential trade agreements with EU on the increase in exports
- Albania benefits from its extensive FTAs with EU and other neighboring countries, which cover a market of over 600 million customers
- Free trade advantage , CEFTA & EFTA agreements



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(CEFTA is a market of 26 million customers and 7 million is the size of the Albanian speaking market within CEFTA)

- Diverse micro-climate suitable for cultivation of different products
- Competitive labor cost
- Continuing and steady sector growth in the past five year
- Non-affected by the European debt crisis
- Favorable climate, average 16 degrees in the costal areas
- Diverse micro-climate that is suitable for different products
- Suitable soil and abundant water

A more proactive approach i, more information, more access to structures, and more contacts are the main directions in this sector as of now. Under the motto "Orientation towards Outcome" several measures have been undertaken, such as:

- Some financial support schemes are being implemented in order to increase productivity, competition and quantity, with the support of EBDR, KFW Development Bank,
- Granting access up to 50% of the investment,
- The land is provided with 1 euro for 99 years.
- Deregulation reform will facilitate the work of farmers with regard to documentation procedures, thus reducing them to one document in January 2018,
- With reform already undertake, within 4 years agricultural land registration problematic will come to an end and regulation of ownership titles will be completed.
- Investing in specific agricultural sectors is required, primarily to guarantee the necessary quantities of products we export to other countries; in the irrigation and drainage of agricultural lands, formalization and providing farmers with VAT numbers. So far, there have been formalized 44 thousand farmers.
- Creation of a dedicated land fund where the state will be a shareholder.
- **According to the sector and the value of the investment, for the agriculture (construction of the model of "large agricultural farm ") and fishing sectors, when the investment is:**
 - i) equal or greater than 3,000,000 (three million) Euros, creating at least 50 new jobs, investors / projects benefiting from the status of "Investor / Strategic Investor, assisted procedure";
 - ii) equal or greater than 50 000 000 (fifty million) euros, benefit from the status "Investor / Strategic Investor, special procedure".

MANUFACTURING / Garment / Footwear / Automotive / Electronic / etc.

Key figures:

- The manufacturing sector represents about **15% of GDP**;
- Accounts about **11.4% total employment**,
- **10,257 companies** operate in manufacturing sector, dominated by food production companies.
- Partnerships with **major brands and retailers** throughout Europe in garment and footwear.



Advantages:

- Highly skilled and cost-competitive workforce (lower salaries than other countries in the region)
- High quality products, experience and tradition
- Short-time deliveries to EU countries
- Comparatively low transport costs to Europe according to Eurostat
- Consolidated legal framework in compliance with EU and international standards

ECONOMIC FREE ZONES

The Law on Economic Zones provides the zero tax within the free economic zone and helps investors on the infrastructure side apart from the tax.

- TEDA'S INCENTIVES
- Albanian goods entering TEDA are exempted from VAT
- Developers and users are also exempted from 50 % of the profit tax rate for a 5 years period - (currently rate 15%)
- Buildings in TEDA are exempted from real estate taxes for a period of 5 years
- Buildings transferred to the TEDA are not subject to the transfer tax on real estate
- Salaries, social and health insurance contribution are 150% deductible for the first year
- New expenses for salaries and social insurance contribution compared to the previous year are 150% deductible for the subsequent years
- Research and development costs are double deductible for a period of 10 years

According to the sector and the value of the investment:

For the "technology and economic development" sector, the investment should be:

- i) equal or greater than 5,000,000 (five million) Euros benefit from the status of "Investor / Strategic Investor, assisted procedure";
- ii) equal or greater than 50 000 000 (fifty million) euros, benefit from the status "Investor / Strategic Investor, special procedure".

For the "Priority Development Zone" sector, the investment should be:

- i) equal or greater than 1 000 000 (one million) euros, and creates, at a minimum, 150 new jobs, benefit the status of "Investor / Strategic Investor, assisted procedure";
- ii) equal or greater than 10 000 000 (ten million) Euros and creating, at a minimum, 600 new jobs, benefit from the status "Investor / Strategic Investor, special procedure".

If the total investment project value is equal to or greater than 100,000,000 (one hundred million) euro, regardless of whether they are anticipated to be realized in one of the above-mentioned sectors, they benefit from the status of "Investor / Strategic Investor, special procedure".



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This law provides road infrastructure, energy, sewage and white water infrastructure up to the boundaries of the investment.

INNOVATION AND INFORMATION TECHNOLOGY

It is estimated that this sector will generate value and increase revenue.

There will be a reduction in the fiscal tax for companies that produce Software from 15% to 5% of the tax-profit rate.