

Albania

RISK & COMPLIANCE REPORT

DATE: January 2019

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Executive Summary - Albania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)
Medium Risk Areas:	World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: wheat, corn, potatoes, vegetables, fruits, sugar beets, grapes; meat, dairy products; sheep</p> <p>Industries: perfumes and cosmetic products, food and tobacco products; textiles and clothing; lumber, oil, cement, chemicals, mining, basic metals, hydropower</p> <p>Exports - commodities: textiles and footwear; asphalt, metals and metallic ores, crude oil; vegetables, fruits, tobacco</p> <p>Exports - partners: Italy 44.2%, Spain 9%, China 6.8%, Greece 4.9%, Turkey 4.7% (2012)</p> <p>Imports - commodities: machinery and equipment, foodstuffs, textiles, chemicals</p> <p>Imports - partners: Italy 34.9%, Greece 11.7%, China 7.5%, Turkey 5.6%, Germany 4.3% (2012)</p>	

Investment Restrictions:

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

- No prior government authorization is needed for an initial investment and no sector is closed to foreign investment;
- 100 percent foreign ownership of companies is permissible;
- Foreign investment may not be expropriated or nationalized directly or indirectly, except for designated special cases, in the interest of public use and as defined by law;
- Foreign investors enjoy the right to expatriate all funds and contributions in kind from their investments; and
- Foreign investors receive 'most favored nation' treatment according to international agreements and Albanian law.

Additionally, in September 2010, the parliament approved several amendments to this law that provide special protection for foreign investment in the tourism, energy and agriculture sectors.

Section 1 - Background

Albania declared its independence from the Ottoman Empire in 1912, but was conquered by Italy in 1939. Communist partisans took over the country in 1944. Albania allied itself first with the USSR (until 1960), and then with China (to 1978). In the early 1990s, Albania ended 46 years of xenophobic communist rule and established a multiparty democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, dilapidated infrastructure, powerful organized crime networks, and combative political opponents. Albania has made progress in its democratic development since first holding multiparty elections in 1991, but deficiencies remain. International observers judged elections to be largely free and fair since the restoration of political stability following the collapse of pyramid schemes in 1997; however, each of Albania's post-communist elections have been marred by claims of electoral fraud. The 2009 general elections resulted in a coalition government, the first such in the country's history. Albania joined NATO in April 2009 and is a potential candidate for EU accession. Although Albania's economy continues to grow, the country is still one of the poorest in Europe, hampered by a large informal economy and an inadequate energy and transportation infrastructure.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Albania is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 25 February 2015

The FATF welcomes Albania's significant progress in improving its AML/CFT regime and notes that Albania has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2012. Albania is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Albania will work with MONEYVAL as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Albania was undertaken in 2018. According to that Evaluation, Albania was deemed Compliant for 2 and Largely Compliant for 26 of the FATF 40 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 2 of the Effectiveness & Technical Compliance ratings.

Key Findings

Albania has a reasonably good understanding of its ML risks in the formal economy. There are some areas (e.g. corruption, organised crime (OC), the informal economy, the TF component of the identified terrorist threats, legal persons and non-profit organisations (NPOs) that would benefit from a more detailed analysis of the threats posed. There are national coordination mechanisms for policy-making to address risks, which include political commitment and make use of various strategies against major predicate offenses and related ML. These mechanisms have not proven to be fully effective to ensure accountability for results by all relevant authorities and do not tackle all relevant ML/FT risks.

Corruption poses major money laundering (ML) risk in Albania. Often linked to OC activities, it generates substantial amounts of criminal proceeds and seriously undermines the effective functioning of the criminal justice system. The authorities are aware of the risks from corruption but the law enforcement focus to target corruption-related ML has been very limited. A significant judicial reform is currently being implemented to better address the corruption risks prevalent in the country.

ML investigations result rarely in indictments and the ratio has been declining. ML proceedings connected to significant proceeds-generating offences are mostly suspended and/or dismissed by the prosecution. The range of predicate offences for ML is roughly in line with the overall country's threats and risk profile, but the number and character of ML cases is not consistent with the size and significance of the underlying proceeds-generating criminality.

The level of evidence to which the ML offence and its relation to the predicate crime needs to be proven is not always clear for the practitioners. In foreign predicate ML cases, the prosecution appears to be over-reliant on evidence requested from foreign counterparts instead of pursuing domestic ML cases based on circumstantial evidence although the latter has already proven successful in recent cases.

Albania has a robust legal framework for confiscation of criminal proceeds. However, the statistics available on the number and values of seized and confiscated assets do not seem to commensurate with the level of the criminality in the country. In practice, a non-conviction confiscation regime based on the Anti-Mafia Law is more widely used rather than criminal confiscation regime, which is mandatory and applies to all criminal offences. Authorities demonstrated that parallel investigations are systematically applied in ML cases and in other criminal proceedings but the performance of the regime has until recently been deficient.

The perception and understanding of TF related risks do not seem to adequately address the characteristics of potential TF activities in the country and the region. In the assessed period, until recently, religious radicalism and cases of recruitment of foreign terrorist fighters (FTFs) have increased in Albania as noted also in the National Risk Assessment (NRA), which contains limited analysis of TF risks and assesses TF through the terrorism threat as "low" risk. There is no systematic approach to identify and investigate financing aspects of terrorism-related offences. There have been convictions in foreign fighting cases linked to the Syrian conflict since 2014. However, there have been no TF prosecutions or convictions in Albania.

Albania has a legal and institutional framework in place to apply the United Nations Security Council Resolutions (UNSCRs). However, there are some technical deficiencies, which may hamper effectiveness of Albania's compliance with targeted financial sanctions (TFS). However, Albania demonstrated positive practice of application of listing, freezing and un-freezing measures.

Albania has not identified the subset of NPOs being potentially at risk of misuse for TF. It considers all NPOs to pose a high TF risk. There is no targeted risk-based supervision of the NPOs at higher risk for TF abuse conducted by the designated competent authority. This is due to inadequate understanding of duties, and the lack of dedicated human resources at the designated competent authority.

Albania has no legal and institutional framework in place for implementation of the proliferation financing (PF) related TFS.

Albania has a poor understanding of ML/TF threats posed by legal persons. Basic information on legal persons is publicly available. However, there is no requirement for the National Business Centre (NBC) or the District Court of Tirana (DCoT) to verify information provided for

registration. Information held by the NBC or by the DCoT in relation to changes to basic ownership data cannot be considered to be accurate or current. Beneficial ownership (BO) information is obtained and maintained individually by financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) while performing their customer due diligence (CDD) obligations. Although there are prohibitions on cash transactions over 150,000 ALL between the tax payers in Albania, there is no requirement for all of the legal persons to have a bank account. Hence, there are certain legal entities (LEs) whose BO data is not recorded by a FI and therefore pose an impediment for a timely access to comprehensive BO information by the competent authorities.

The competent authorities systematically use the General Directorate for the Prevention of Money Laundering (GDPML) disseminations and a wide range of other accessible sources of information to initiate and facilitate investigations of ML, associated predicate offences and TF. However, a regular feedback to the GDPML on its disseminations would enable a better support to the law enforcement authorities' (LEAs) and Prosecutors Office's (PO) operational needs.

Although Albania has reportedly provided mutual legal assistance (MLA) with an appropriate level of cooperation, the general legal mechanism for executing foreign MLA requests is very complex and involves too many authorities with their respective deadlines, which might be a major delaying factor. There is no systemic prioritisation of incoming MLA requests and the case management system is not in place in all authorities involved in MLA.

The Bank of Albania (BoA) has a good understanding of ML/FT risks and has recently enhanced its offsite reporting system to support its assessment of risks of individual entities. The Financial Supervisory Authority (FSA) is in the process of transitioning to a risk-based approach (RBA) to supervision but its AML/CFT inspection activity undertaken so far has been very limited. Both BoA and FSA rely heavily on the GDPML to contribute to AML/CFT inspections and to impose sanctions (fines) for AML/CFT breaches. The primary DNFBP supervisors do not sufficiently discharge their functions for AML/CFT supervision, and the resources of the GDPML are too limited to compensate for this. Although some important efforts are made, the licensing authorities for FIs (BoA, FSA) do not consistently apply a risk-based perspective when reviewing licensing applicants, or take a systematic approach to on-going monitoring, to fully mitigate the risk of criminal infiltration of FIs.

It has not been demonstrated that sanctions imposed by supervisors for AML/CFT breaches by the reporting entities (REs) have been fully effective or dissuasive.

Risks and General Situation

Although Albania has made considerable progress to tackle ML and TF, the risks remain high. According to the National Risk Assessment (NRA), the main threat for ML is formed by criminal proceeds deriving from trafficking of narcotics, crimes in the customs and tax area (e.g. smuggling, tax evasion) and corruption. Organised crime groups (OCGs) with individuals of Albanian ethnicity are active in many countries in Europe, with links to other source, transit and destination regions. They mostly focus on drug trafficking, human trafficking and crimes against property. The proceeds of crime are circulated and invested in several forms in Albania, e.g. through investment in real estate and commercial companies. The large size of

the informal economy in Albania, combined with the still widespread use of cash, constitutes a significant ML vulnerability.

Corruption remains a very serious concern in the country and forms an overarching ML risk. The number of investigations of cases of corruption is on the rise, but the number of final convictions remains low at all levels. Corruption in the judiciary adversely affects the normal functioning of the justice system, undermining public confidence in the rule of law, and enables impunity for criminals.

The NRA notes an increase of religious radicalism and cases of recruitment of FTFs in Albania in recent years. There have been indictments in foreign fighting cases linked to the Syrian conflict since 2014 but no TF investigations or convictions.

The gambling sector (through threat of criminal infiltration in ownership and/or operation) and the real estate sector are regarded as posing a very high risk for ML. The notary profession was historically deemed highly vulnerable due to its involvement in real estate transactions but its risk awareness and mitigation have significantly improved over the last years. Following increased controls over immovable property transactions, nowadays the highest risks are deemed to be present in transactions where notaries and real estate agents are not involved (informal transactions).

Accountants and lawyers are deemed vulnerable for ML risk exposure due to their involvement in company formation and the fact that majority of their client base is comprised of LEs. Additionally, AML/CFT supervision of these professions is limited.

In recent years, the money value transfer services (MVTs) and currency exchange sectors have seen considerable formalisation and improvements in application of risk mitigating measures, although smaller entities not part of larger global firms in particular remain vulnerable, and informal activities are still present. While the banking sector will remain at risk, banks have a high level of awareness of ML/TF risks and implementation of corresponding mitigating measures. FIs other than banks are not deemed particularly vulnerable, as their businesses make up a small percentage of the financial sector assets and transactions with their customers pass through the banking system.

Overall Level of Effectiveness and Technical Compliance

Since the last evaluation, Albania has taken steps to improve the AML/CFT framework. Notably, amendments to the Law on the Prevention of Money Laundering and Financing of Terrorism (AML/CFT Law) were adopted in 2012 (further amended also in 2017), which strengthened the legislative framework to fight ML and TF. Albania has also undertaken its first ML/TF NRA in 2012 and a second one in 2015. The process was coordinated in both instances by the GDPML, with input from a range of public sector representatives including state intelligence, LEAs, and supervisory authorities.

Albania has demonstrated a reasonably good understanding of its ML risks as far as the formal economy and commonly identified predicate offenses such as drug crime and tax evasion are concerned. Although the authorities generally acknowledge also the major threats posed by the informal economy and wide-spread corruption (including its nexus with OC), they have not made discernible efforts to assess the true impact of these phenomena

on the ML/TF risks. The TF risk assessments in the NRAs are very limited. Intelligence and LEAs appeared vigilant to terrorist risks but failed to demonstrate adequate understanding of related financing risks. Further areas where understanding of authorities should be enhanced relate to risks of abuse of legal persons and NPOs.

There is no AML/CFT policy document in place, but the country has a proven track record in setting broader strategies and action plans to address economic and OC. These strategies are targeted at most of the major predicate offences as well as their related ML offences and address the factors that contribute to the identified ML/TF risks to a certain extent. There are mechanisms in place to coordinate these policies on institutional level, including a high-level Coordination Committee for the Fight against ML (CCFML) and its Inter-Institutional Technical Working Group (IITWG). Nonetheless, mechanisms to ensure efficient delivery of expected results by all relevant authorities should be enhanced.

Cooperation at operational level and information exchange amongst the authorities is enabled through various formal and informal mechanisms. It is generally positive where the GDPML is involved.

Some significant initiatives have been and continue to be undertaken to address threats and vulnerabilities in certain high-risk areas. For example, the GDPML and BoA have coordinated with the Banking Association to conduct outreach to banks on AML/CFT obligations and ML/TF risks and typologies. The use of cash is restricted when trading in goods and banned in immovable property transactions. GDPML, the Ministry of Justice (MoJ) and the Chamber of Notaries have coordinated efforts to raise awareness of risks among notaries, who have a key role in real estate transactions. The Police and the Gambling Supervisory Authority (GSA) have coordinated a large-scale action to combat unlicensed gambling activity. Recently, the licensing and supervision authority for auditors was restructured and provided more independence and authority. Moreover, a major judicial reform programme is currently on-going, impacting on many levels of public administration, which should provide a better framework for the fight against corruption and related ML in the years to come.

There are, however, also areas where the policies and activities of authorities are not yet aligned with the risks. In order to mitigate ML/TF risks, further efforts (better coordination, intensified actions) are needed to address more complex, holistic issues. This includes:

- increasing the number and quality of prosecutions of corruption-related ML;
- stronger controls of cross-border cash movements;
- measures to prevent the abuse of legal persons including oversight of NPOs;
- finalisation of the regularisation of immovable properties; and risk-based supervision for all sectors.

Albania is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

Albania is not a regional financial or offshore center. The country remains at significant risk for money laundering due to rampant corruption and weak legal and government institutions.

Albania has a large cash economy and informal sector, with significant money inflows from abroad in the form of remittances. Major proceeds-generating crimes in Albania include drug trafficking, tax evasion, smuggling, and human trafficking. Albania has a substantial black market for smuggled goods, and smuggling is facilitated by weak border controls and customs enforcement. Albania produces and exports significant amounts of marijuana, primarily for European use, and is a transit country for Afghan heroin and cocaine, serving as a key gateway for heroin distribution throughout Europe. Albania serves as a base of operations for regional organized crime organizations. Illicit proceeds are easily laundered.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Real estate (particularly in the coastal areas), business development projects, and gaming are among the most popular methods of hiding illicit proceeds. Law enforcement recognizes the need to combat money laundering but remains largely ineffective in doing so. The Albanian State Police has a dedicated Economic Crime Unit tasked with AML efforts, while police and prosecutors continue to receive training on this subject. Better collaboration between police and prosecutors is needed.

The vetting of judges and prosecutors called for in the 2016 constitutional reforms began in November 2017. Currently, the files are being reviewed, and it is anticipated hearings will start in early 2018. Prior to the start of vetting, media reported an increase in the movement of assets out of Albania.

KEY AML LAWS AND REGULATIONS

Albania has CDD and STR requirements in place. In 2016 and 2017, the Albanian parliament passed several significant constitutional and legal reforms aimed at tackling corruption and organized crime. These include substantial reforms of the judicial and prosecutorial system, vetting of judges and prosecutors for corruption and ties to organized crime, and a revamped law governing civil and criminal confiscation. The reforms, if implemented properly, will result in better enforcement of money laundering and other financial crime laws.

Albania and the United States do not have a MLAT, but cooperation is possible through multilateral conventions.

Albania is a member of MONEYVAL, a FATF-style regional body.

AML DEFICIENCIES

Albania has a substantial black market for smuggled goods, primarily tobacco, jewelry, stolen cars, and mobile phones. Smuggling is facilitated by weak border controls and customs enforcement.

Some, but not all, Albanian courts require a simultaneous conviction for a predicate offense before issuing a conviction for money laundering, even though the law specifically states no predicate offense is necessary. The Supreme Court has not issued a controlling decision. In 2017, the anti-mafia confiscation law was amended to address its previous limitations. Specifically, the amended law added provisions for non-conviction-based asset forfeiture and decentralized jurisdiction of forfeiture, enabling prosecutors within each municipality to pursue asset forfeiture related to criminal investigations. Despite changes to the law to enhance the ability of prosecutors to investigate and seize assets related to criminal proceeds, deficiencies remain with application of the law.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2016, Albania passed substantial amendments to its Constitution to reform the justice system, including vetting judges and prosecutors for corruption and links to organized crime, and creating an independent, vetted, and monitored court, prosecution office, and investigation agency for cases of high-level corruption and organized crime, to include organized narcotics traffickers. Fifteen laws necessary for the implementation of the constitutional changes were passed prior to the June 2017 parliamentary elections. Albania's parliament has already appointed a commission to vet judges and prosecutors, monitored by international observers. Albania must implement the laws effectively and continue to develop the capacity of its police and prosecutors that focus on corruption, money laundering, and economic crimes.

While the Government of Albania passed criminal code reforms and legislative amendments in 2012, implementation efforts have been weak. The more substantial reforms of 2016 and 2017 are meant to build a more effective system, but implementation of these reforms is still occurring. Despite a sizeable number of money laundering investigations over the previous years, the number of money laundering prosecutions remains low. However, Albania has begun to use confiscation in prominent cases. A Supreme Court justice and her husband were convicted of corruption in June 2017, the highest official convicted of corruption in Albania. To substitute for the bribe proceeds that disappeared, €50,000 (approximately U.S. \$59,000) were seized and confiscated from their bank accounts.

The government has taken steps to combat official corruption, but it needs to continue to address judicial and prosecutorial corruption. Since the lifting of immunity for judges and high officials in 2012, prosecutors have investigated at least 38 high-level officials, locally-elected officials, judges, and prosecutors.

Prosecutions led by the Serious Crimes Prosecution Office have resulted in the convictions of three judges, one prosecutor, and one locally elected mayor on corruption charges. Another judge was convicted, but this was overturned on appeal and is awaiting retrial. One prosecutor and two prison officials await trial on charges of corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Albania does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Albania is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Albania is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2018:

Albania remains a transit country for drug trafficking and a significant source of cannabis grown mainly in the remote mountain areas of the country. The number of drug seizures and arrests has increased dramatically within the country over the last few years, driven principally by increased enforcement efforts attributable to international pressure and Albania's endeavor to accede to the European Union (EU). Doubts persist, however, regarding the government's enduring commitment to aggressive enforcement. Recent constitutional and legislative reforms to the country's justice institutions are encouraging, and further implementation of these reforms will be necessary to address corruption, its linkages to illicit drug production, and organized crime more broadly.

Conclusion

Albania continues to receive assistance from the United States and European Union countries to enhance its drug enforcement capacities. The Albanian government implemented 46 joint operations with international law enforcement agencies during the first 10 months of 2017, mostly in cooperation with Italian authorities. The United States continues to provide assistance to support integrated border management utilizing risk analysis to identify potential traffickers, as well as training on drug trafficking investigations and to promote judicial sector reform. It will be critical for the Albanian government to take further steps to implement the country's recent criminal justice sector reforms vigorously in the years to come to erode the influence of organized crime and strengthen the rule of law.

US State Dept Trafficking in Persons Report 2016 (introduction):

Albania is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Albania is a source and destination country for men, women, and children subjected to sex trafficking and forced labor. Albanian women and children are primarily subjected to sex trafficking within Albania; in bordering Kosovo, Macedonia, Montenegro, and Greece; and in other European countries. Albanian and some foreign victims are subjected to forced labor in Albania, particularly in the tourism industry. Children, including those of Romani or Balkan Egyptian ethnicity, are subjected to forced begging and other forms of compelled labor in Albania and neighboring countries; girls are vulnerable to child sex trafficking. NGOs report an increase in the number of Albanian children subjected to forced labor in Kosovo and the United Kingdom. Albanian women and girls are subjected to sex trafficking or forced labor following arranged marriages in Albania and abroad. In past years, some foreign women from European countries were subjected to sex trafficking in Albania. Middle Eastern, Central Asian, and African migrants, particularly Syrians, transit Albania to reach Western Europe and are vulnerable to trafficking, although police have yet to identify any as trafficking victims. Corruption and high rates of turnover within the police force inhibit law enforcement action to address trafficking.

The Government of Albania does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government improved law enforcement efforts by convicting more traffickers than in 2014, including some traffickers who forced children to beg; but the government and NGOs identified fewer victims, and the government prosecuted fewer suspected traffickers than in 2014. The government decreased funding to the state-run shelter for trafficking victims; and psychological, medical, and reintegration services at the state-run shelter, though improved, were still inadequate. Government funding to NGO shelters remained insufficient, although the government funded the salaries of 12 staff members at two NGO shelters. The government continued to investigate and punish victims for unlawful acts committed as a result of being subjected to trafficking, although the law exempts victims from punishment for crimes committed as a result of their exploitation. The government had a 2014-2017 national strategy and action plan to combat trafficking, although it remained underfunded, and it increased the budget of the anti-trafficking coordinator. The national coordinator regularly convened stakeholders belonging to the national referral mechanism.

US State Dept Terrorism Report 2016

Overview: Albania was a strong supporter of counterterrorism efforts in 2016 and continued its participation in the Global Coalition to Defeat ISIS, making significant donations of weapons and ammunition.

On November 4 and 5, a well-coordinated regional counterterrorism operation led to the arrests of four individuals in Albania. The operation disrupted a potential attack on the Albania-Israel World Cup qualifying soccer match, scheduled to take place in Shkoder on November 12. The individuals were charged with supporting ISIS financially and logistically, recruiting people on behalf of ISIS, and promoting hate speech.

Legislation, Law Enforcement, and Border Security: Albania criminalizes terrorist acts; financing of terrorism; collection, transfer and concealment of funds that finance terrorism; conducting transactions with persons on the United Nations (UN) sanctions lists; recruiting and training people to commit terrorist acts; incitement of terrorist acts; and establishing, leading, and participating in terrorist organizations. In 2016, nine defendants were found guilty of charges related to these statutes and sentenced to seven to 18 years in prison. An appeals court in November decreased the sentences for five of the defendants, and prison terms now range from four-and-a-half to 18 years.

Albanian law enforcement has increased efforts to counter potential terrorist threats. The recently expanded Albanian State Police Anti-Terrorism Unit (ATU) has worked closely with the U.S. Department of Justice's (DOJ's) International Criminal Investigative Training Assistance Program (ICITAP) to identify requirements for equipment and training. As a result, the ATU has developed its own plans and programs for improving equipment, training, and development, and is currently renovating a new ATU facility. Through the Department of State Anti-Terrorism Assistance Program, the ATU participated in training on interviewing terrorism suspects. Despite the scarcity of resources, the ATU also participated in several successful interdictions of known or suspected terrorists.

In cooperation with the European Union and with funding from the Department of State, ICITAP provided equipment and training to the Albanian government to build capacity to collect fingerprint data at all border crossing points. The information can be checked against a national database for wanted individuals in real time. This initiative has improved Albania's ability to collect biometric data on selected individuals at border crossings.

DOJ's Office of Overseas Prosecutorial Development Assistance and Training Program (OPDAT), funded by the Department of State, continued to provide mentorship, assistance, and training to prosecutors, law enforcement officials, financial investigators, intelligence analysts, and judges from Albania, Bosnia, Kosovo, Macedonia, and Serbia, who work on foreign terrorist fighter and terrorism-related cases through its Balkan Regional Counterterrorism program located in Tirana.

Corruption combined with a poorly functioning judicial system continued to hinder Albania's law enforcement efforts at all levels.

Countering the Financing of Terrorism: Albania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. The General Directorate for the Prevention on Money Laundering, Albania's financial intelligence unit, is a member of the Egmont Group of Financial Intelligence Units.

Since June 2012, Albania has been working with the FATF and MONEYVAL to address identified weaknesses in its anti-money laundering/countering the financing of terrorism (AML/CFT) regime. As a result, Albania has made major improvements to its legal framework for identifying, tracing, and freezing terrorist assets; enhanced international co-operation; extended customer due diligence; and required the filing of suspicious transaction reports and currency transaction reports.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	38
World Governance Indicator – Control of Corruption	41

Corruption is a serious problem in Albania. It is one of the country's greatest stumbling blocks, impeding its bid for EU candidacy and hindering its investment climate. The procurement and construction sectors are particularly affected by patronage networks and other forms of corruption. The judiciary is also hampered by corruption and political influence. The necessary anti-corruption legal framework is in place, but enforcement is poor and conviction rates are very low. Active and passive bribery, as well as the bribery of foreign officials, are illegal under the country's Criminal Code. The same applies for offering gifts or facilitation payments, yet these practices are widespread. **Information provided by GAN Integrity.**

US State Department

Corruption remains pervasive in Albania and affects all aspects of society. A culture of impunity is widespread and deeply rooted. Ordinary citizens and foreign investors alike can point to the judiciary, uneven enforcement of laws and property rights, a weak regulatory environment, and opaque government procurement as indicators of endemic corruption. Although the number of corruption cases investigated and prosecuted is rising, conviction rates remain low. Furthermore, high-level corruption cases of politicians or affluent business leaders very rarely end in conviction. Perception of corruption continues to be high and Albania ranked 116th out of 177 countries in the 2013 Transparency International (TI) Corruption Perception Index.

While anti-corruption legislation exists, enforcement lags behind. The government has amended anti-corruption legislation numerous times in recent years to strengthen the framework dealing with corruption and organized crime and to bring Albanian legislation in line with the civil and criminal conventions of the European Union. Under the Albanian Criminal Code, both active and passive corruption, abuse of office, and undue influence are considered criminal offenses. In addition to basic corruption offenses, there are specific criminal provisions addressing active and passive corruption by persons exercising public functions, high state officials and locally elected persons, judges, prosecutors, and employees of the judicial bodies and the private sector. There also are provisions addressing trading in influence. In March 2012, Parliament passed amendments to the Criminal Code addressing cases of bribery by foreign public officials and increasing the penalties for corruption in the private sector, closing existing loopholes in the legislation. In 2012, Parliament also approved constitutional changes, restricting the immunity of high level public officials and judges. The current government has denounced many previous middle and

high-level government officials to the Prosecutor's Office on corruption charges, but to date none have been prosecuted.

The government has ratified several corruption-related international treaties and conventions and is a member of major international organizations and programs dealing with corruption and/or organized crime. Albania has ratified the Civil Law Convention on Corruption (Council of Europe), the Criminal Law Convention on Corruption (Council of Europe), the Additional Protocol to Criminal Law Convention on Corruption (Council of Europe), and the United Nations Convention against Corruption (UNCAC). Albania also has ratified a number of key conventions in the broader field of economic crime, including the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (2001) and Convention on Cybercrime (2002). Albania has been a member of the Group of States against Corruption (GRECO) since the ratification of the Criminal Law Convention on Corruption in 2001 and also is a member of the Stability Pact Anti-Corruption Network (SPAI).

Police authorities and the Prosecutor General's Office are in charge of criminal investigations and law enforcement, while the State Audit Commission and internal auditing units within various state institutions, inspect, assess, and report alleged cases of corruption. A Joint Investigative Unit against corruption and economic crime was established in 2007 in the Tirana District Prosecution Office. The unit is a multi-agency taskforce composed of police staff from the prosecutor's offices, the state, customs and tax police, and other relevant institutions, working together on specific investigations. Based on the first unit model, six more units were established in regions throughout Albania to prosecute corruption and economic crimes outside Tirana. The High Inspectorate for the Declaration and Audit of Assets (HIDAA), established in 2003, collects and audits the annual declaration of assets and properties of mid and high level public officials in central and local executive agencies and supervises the prevention of conflicts of interest.

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

The Prime Minister's office includes an Internal Administrative and Anti-Corruption Control department, which serves as an inspectorate for all central executive public institutions and investigates allegations of procedural irregularities and irregularities in the handling of public finances. In the Judiciary, the High Council of Justice is in charge of the appointment and removal of judges and prosecutors in district and appeals courts. Specialized inspectors investigate allegations of misconduct of judges and the High Council of Justice then takes the relevant disciplinary measures.

Transparency International (TI) Albania is the main international non-governmental watchdog organization in Albania. Other NGOs perform watchdog functions regarding corruption, but the role of the civil society in denouncing corruption is weak.

Corruption and Government Transparency - Report by Global Security

Political Climate

Transition from a one-party communist state to an electoral democracy has proven difficult in Albania, and successive governments have had to deal with high levels of unemployment, organised crime, and widespread corruption, as well as claims of electoral fraud. In June 2012, Albania's Parliament elected the Interior Minister Bujar Nishani as the country's new president, and the Democratic Party of Albania became the controlling party within the government's ruling coalition. Albania has had its application for EU candidate status turned down twice, as one of the requirements for EU membership is an increased fight against corruption. In fact, corruption has been perceived to be so widespread in Albania by the European Union, which has led the latter to repeatedly call for rigorous implementation of anti-corruption measures in the country, as report by Freedom House 2013. Nevertheless and on a more positive note, a 2012 Albania Progress Report by the European Commission notes that Albania's legal framework and inter-agency structures for fighting corruption is largely in place. However, implementation of anti-corruption policies is still ineffective and demonstrated results are insufficient as a result of a low level of cooperation between the law enforcement agencies, lack of technical equipment for investigations, and lack of specialist expertise.

The Bertelsmann Foundation 2012 emphasises that Albania's deficiency in separation of powers is a major impediment to the country's democratisation. As for the legislative power, private interests have traditionally played a role in the elections, and the situation was facilitated by the fact that campaign funding was not transparent in the country and the auditing of the reported party income not satisfactory. GRECO 2011 reports that electoral campaign funding has now been regulated so that stricter financing rules apply and income disclosure is mandatory. As an example of the past irregularities, outgoing Prime Minister Berisha appeared several times in a TV-commercial that was financed with government funds during the 2009 electoral campaign. Criticism of the Prime Minister using state budget for a personal commercial purpose was compounded by the fact that neither the cost of the TV-commercial was disclosed nor was the contract awarded in a public bid, but directly assigned to the chosen producer. A prominent corruption scandal on the political arena took place in 2011, when Albania's former Economy Minister Dritan Prift made public a video where the former Deputy Minister Ilir Meta discusses corrupt deals. According to Freedom House 2012, Meta resigned from his position, but denied any allegations of active bribery. Following the scandal, mass protests were led by the opposition against the persistent corruption among the political elite of the country.

Albania's government has run an anti-corruption platform since the first term of pro-European Prime Minister Sali Berisha's first election, and the fight against corruption has since been on the political agenda. However, the government's efforts to tackle corruption are sporadic and continuously yield very poor results, due to lack of commitment and institutional enforcement, according to Freedom House 2013. Furthermore, governmental anti-corruption measures often lack concrete timetables and mechanisms that can be monitored. The government has adopted Albania's National Strategy for Development and Integration (NSDI) 2007-2013; however, the results have yet to be seen. According to Transparency International's Global Corruption Barometer 2013, two-thirds of all respondents believe that Albania's government is run by a few political entities in their own best interest. In contrast, Global Integrity 2010 mentions some progress in fighting corruption in recent years, including a well-developed system to support the transparency and fairness of public procurement. In 2012, under international pressure, the Albanian government adopted several constitutional amendments that will limit the immunity of public officials, judges, and lawmakers from prosecution, allowing for investigations without prior official authorisation.

Business and Corruption

Foreign investment and increasing FDI inflows has been a top priority for the Albanian government. The country has taken measures to improve the business climate by streamlining business procedures through e-governance reforms, which have contributed to increased investor confidence. According to the US Department of State 2013, FDI inflows have more than doubled over the past decade in Albania, with a significant part of it coming from privatisations. The government has set up the Albanian Investment Development Agency (AIDA) to provide direct assistance to investors, attract FDI, enhance competitiveness of Albanian exporters and provide professional consulting to local SMEs. In addition to actively assisting companies in becoming established in Albania, the agency also provides investors with information concerning the business climate in the country and legal requirements for doing business. Despite progress in reforms, the major factors hampering business operations remain widespread corruption, weak law enforcement, insufficiently defined property rights, a cumbersome bureaucracy, and frequent changes in the legal framework. Foreign companies continue to face significant challenges in entering the market, particularly in areas related to property rights.

Corruption is recognised as a major problem for the growth and development of the business sector in Albania, discouraging foreign companies from getting established in the country. In a similar vein, business executives surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 identify corruption as the second most problematic factor for establishing business in the country. Public procurement represents a large source of revenues for many companies in Albania; however, despite the reforms in the procurement sector, companies continue to experience non-transparent processes when competing for government tenders. Furthermore, a 2011 Governance Report by the World Bank reports that the persistent politicisation of the Albanian public administration, weak separation of power, and political interference in the rule of law remain obstacles for the development of Albania and its competitiveness as an investment destination. This is further reinforced by the Global Competitiveness Report 2013- 2014, which notes that favoritism by government officials when setting policies and awarding contracts is an obstacle to doing business in the country and that public funds are commonly diverted to individuals, companies, or groups, due to corruption.

The US Department of State 2013 reports that foreign investors believe corruption to be endemic in Albania and presents a major challenge to economic development. Perhaps one of the reasons behind these challenges is the presence of a significant informal sector in the economy facilitates tax evasion for certain companies. Furthermore, the US Department of State 2013 also notes that public procurement is an area rife with corruption. According to Transparency International's Global Corruption Barometer 2013, corruption within the business and private sector is perceived to be pervasive, with approximately 29% of respondents evaluating it as 'extremely corrupt'. Therefore, companies are recommended to use a specialised public procurement due diligence tool in order to help mitigate the costs and risks of corruption involving public procurement processes in Albania and are recommended to develop and implement integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in the country.

Regulatory Environment

Albania has sought to improve its governance in collaboration with the European Union and other international actors. In March 2012, the European Union financed a EUR 2.1 million

project to help in the fight against corruption in Albania, according to a 2012 article by Balkans.com Business News. As a result of the previous collaboration with the European Union, progress has occurred in several economic sector; although, regulations pertaining to business reportedly remain cumbersome. The US Department of State 2013 reports that business registration has been streamlined considerably, eliminating numerous interactions with administrative offices. Instead, one single office, the National Registration Centre (NRC) and its local windows, are now responsible for processing the single form registration within 24 hours at a cost of approximately USD 1. Furthermore, Global Integrity 2010 reports that efficient control systems have been implemented in customs and tax administration. Also, some agencies have undertaken steps to consult with business and civil society about issues in drafted laws and regulations. Despite these improvements, the US Department of State 2013 emphasises that the regulatory environment is still challenging and not sufficiently transparent, and companies have difficulties accessing legislation. Furthermore, laws and regulations are sometimes inconsistent, making their implementation unforeseeable.

Companies surveyed in the World Economic Forum Global Competitiveness Report 2013-2014 identify inefficient government bureaucracy and tax regulations to be among the most problematic factors for doing business. This is supported by the US Department of State, which notes that Albania's regulatory environment suffers from improper and uneven enforcement of laws and regulations, a rigid bureaucracy, extensive red tape as well as frequent changes to legislation. These hurdles provide breeding grounds for the occurrence of corrupt practices. According to the World Bank & IFC Doing Business 2013, it takes on average 4 procedures and 4 days at a cost of 22% of per capita income to start a company in Albania, which is significantly more costly compared to the regional and the OECD average.

Although Albania has made efforts to handle investment disputes in an appropriate manner, issues continue to hamper effective resolution of disputes, as reported by the US Department of State 2013. The judicial system is viewed by the business community to be non-transparent and corrupt, resulting in strong inefficiency into any settlement process. Furthermore, according to Global Integrity 2010, judges lack experience and competence in commercial law, and certain groups, mainly powerful defendants, receive preferential treatment by the courts. Albania accepts binding international arbitration in specific investment agreements, and has been a party to many arbitration disputes in foreign or international arbitration tribunals. The country is a signatory to several international conventions regulating the mutual acceptance and enforcement of foreign arbitration, including the New York Convention 1958 and the Washington Convention 1965. Access the Lexadin World Law Guide for a collection of legislation in Albania.

Section 3 - Economy

Albania, a formerly closed, centrally-planned state, is a developing country with a modern open-market economy. Albania managed to weather the first waves of the global financial crisis but, more recently, the negative effects of the crisis have caused a significant economic slowdown. Close trade, remittance, and banking sector ties with Greece and Italy make Albania vulnerable to spillover effects of debt crises and weak growth in the euro zone.

Remittances, a significant catalyst for economic growth, declined from 12-15% of GDP before the 2008 financial crisis to 5.7% of GDP in 2014, mostly from Albanians residing in Greece and Italy. The agricultural sector, which accounts for almost half of employment but only about one-fifth of GDP, is limited primarily to small family operations and subsistence farming, because of a lack of modern equipment, unclear property rights, and the prevalence of small, inefficient plots of land. Complex tax codes and licensing requirements, a weak judicial system, endemic corruption, poor enforcement of contracts and property issues, and antiquated infrastructure contribute to Albania's poor business environment making attracting foreign investment difficult.

Albania's electricity supply is uneven despite upgraded transmission capacities with neighboring countries. Technical and non-technical losses in electricity - including theft and non-payment - continue to undermine the financial viability of the entire system, although the government has taken steps to stem non-technical losses and has begun to upgrade the distribution grid. Also, with help from international donors, the government is taking steps to improve the poor national road and rail network, a long standing barrier to sustained economic growth.

Inward FDI has increased significantly in recent years as the government has embarked on an ambitious program to improve the business climate through fiscal and legislative reforms. The government is focused on the simplification of licensing requirements and tax codes, and it entered into a new arrangement with the IMF for additional financial and technical support. Albania's IMF program may be at risk, however, because the government has not collected sufficient tax revenue needed to reduce the budget deficit. The country continues to face increasing public debt, exceeding its former statutory limit of 60% of GDP in 2013 and reaching 73% in 2015.

Agriculture - products:

wheat, corn, potatoes, vegetables, fruits, sugar beets, grapes; meat, dairy products; sheep

Industries:

food and tobacco products; textiles and clothing; lumber, oil, cement, chemicals, mining, basic metals, hydropower

Exports - commodities:

textiles, footwear; asphalt, metals and metallic ores, crude oil; vegetables, fruits, tobacco

Exports - partners:

Italy 43.4%, Kosovo 9.8%, US 7.7%, China 6.2%, Greece 5.3%, Spain 4.8% (2015)

Imports - commodities:

machinery and equipment, foodstuffs, textiles, chemicals

Imports - partners:

Italy 33.5%, China 10.1%, Greece 9%, Turkey 6.7%, Germany 5.2% (2015)

Banking

According to the Bank of Albania, the Central Bank, about 20 percent of the money in circulation is outside of the banking system. However, the use of cash cards and Point of Sales Terminals (POS) is growing. Despite the expansion of the banking sector, a significant portion of remittances enters the country through unofficial channels. It is estimated that only half of total remittances enter Albania through banks or money transfer companies.

Stock Exchange

The Tirana Stock Exchange is located in the capital city, Tirana. It opened in 1996, concurrent with the establishment of the Albanian Securities Commission, with a full membership in the Euro-Asian Federation of Stock Exchanges (FEAS). The market functioned as a department of the central bank until it was spun off as an independent entity in 2002.

Executive Summary

Albania is a relatively small country located in the Western Balkans with a population of approximately 3 million people and a landmass the size of Maryland. Albania became an EU candidate country in June 2014 and currently is working to fulfill the criteria that would pave the way for the start of accession negotiations.

Despite the government's stated desire to attract foreign direct investment, Albania remains a very challenging economy for foreign investors. Validity of contracts with the government is an ongoing concern, with incoming governments often seeking to nullify or modify contracts signed by previous governments. Albania's judiciary is inefficient and frequently corrupt. To minimize this risk, investors traditionally have bypassed local courts by including international arbitration agreements in their contracts with Albanian counterparts. In 2016, however, the government ignored an injunction order from an international arbitration court in a high-profile investment dispute, which caused many foreign investors to question the country's commitment to honoring arbitration decisions.

Investors report ongoing concerns that regulators use difficult-to-interpret, or inconsistent, legislation and regulations as a tool to punish competition and to favor politically connected companies. Regulations and laws governing business activity change frequently and with little meaningful consultation with the business community. Major foreign investors report pressure to hire specific, politically connected subcontractors and often raise concerns about operating in Albania while complying with the Foreign Corrupt Practices Act. Reports of corruption in government procurement are commonplace. Numerous U.S. companies complained last year that they were disqualified from public tenders despite offering the lowest bid in order to award tenders to companies with politically connected local partners. Another challenge is the situation related to property rights in Albania; clear title is hard to obtain for various reasons, (unscrupulous actors frequently manipulate the corrupt court system to obtain title to land not their own); compensation for those whose land was confiscated by the communist regime is hard to obtain and inadequate; the agency charged with removing illegally-constructed buildings (a significant problem in Albania) sometimes acts without full consultation and without following procedures.

Although the country largely was spared from the severe fallout of the 2008 financial crisis, economic output has slowed since 2009, reflecting the prolonged European crisis in neighboring Italy and Greece, where close to 1.2 million Albanians live and work and with which 66 percent of Albanian trade occurs. Faced with public debt ballooning to 70 percent of GDP and large arrears to the private sector, the government began an ambitious fiscal consolidation program and signed a 330 million Euro, three-year program with the IMF in February 2014. The program aims to help the GOA implement structural reforms that would in turn strengthen competitiveness, improve the investment climate, and catalyze stronger growth. GDP grew by 2.66 percent in 2015, up from 1.9 percent in 2014, and both the government and IMF estimate approximately 3.4 percent growth in 2016.

With low domestic demand, low bank lending rates, and limited government spending, the Albanian government has been focused on promoting foreign direct investment (FDI) as the driver of growth in the economy by implementing a liberal foreign investment regime. In an attempt to attract much-needed FDI, the GOA approved a new Law on Strategic Investments in 2015, which outlines investment incentives and offers fast-track administrative procedures to strategic foreign and domestic investors, depending on the size of the investment and number of jobs created. The government also passed legislation creating

Technical Economic Development Areas (TEDAs) similar to free trade zones, but the tender to develop the first TEDA failed and the process has stalled.

After climbing 40 places in the 2015 World Bank Doing Business Report, Albania fell 20 slots in 2016, largely due to the near complete suspension of issuing construction permits in 2015.

The Albanian legal system does not discriminate against foreign investors. The U.S. - Albanian bilateral investment treaty entered into force in 1998 ensures that U.S. investors receive most-favored-nation treatment. The Law on Foreign Investment outlines specific protections for foreign investors and allows 100 percent foreign ownership of companies with a few typical exceptions in international air passenger transport, electric power transmission, and television broadcasting.

Foreign direct investment annual inflows in Albania have increased significantly since 2008, averaging close to \$1 billion per year for the period 2008-2014. Greece and Canada are the largest source of Albanian FDI, representing 42 percent of Albania's \$5.1 billion foreign investment stock in 2014 primarily in the telecommunications, financial intermediation, manufacturing, hydrocarbon, and mining sectors. FDI experienced a slight decrease in 2014 and 2015 reflecting a decline in investments in the oil sector.

Foreign investment opportunities in Albania likely will grow in the coming years, especially in the IT, oil and gas, electricity, and hydropower sectors. However, despite many emerging opportunities, the major challenges outlined above will remain for the foreseeable future.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	88 of 168	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	97 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	87 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2014	\$116 million	Bank of Albania https://www.bankofalbania.org (2014 data U.S. stock FDI in Albania – USD 116 million)
World Bank GNI per capita	2014	\$4,450	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Albanian government has a stated policy goal of attracting foreign investment as a driver of economic growth. The country maintains a liberal foreign investment regime designed to help attract foreign investment. The Law on Foreign Investment outlines specific protections for foreign investors and allows 100 percent foreign ownership of companies in all but a few specific sectors.

Albanian legislation does not distinguish between domestic and foreign investments. The 2010 amendments to the Law on Foreign Investment introduced criteria when state would grant special protection to foreign investors involved in property dispute, providing additional guarantees over domestic investors for investments of more than 10 million euro.

The U.S. - Albania bilateral investment treaty (BIT) entered into force in 1998 and, ensures that U.S. investors receive most-favored-nation treatment.

Despite favorable legislation for foreign investors, rampant corruption and a high degree of "informal" business practices means that it often is difficult for U.S. investors to enter the market. Most major U.S. investments in the country currently face significant challenges with the Albanian government. The government's recent antagonistic treatment of major investors and its refusal in one instance to recognize the jurisdiction of an international arbitration court call into question this government's treatment of foreign investment.

Other Investment Policy Reviews

There are no OECD or UNCTAD investment policy reviews of Albania.

Laws/Regulations on Foreign Direct Investment

Albania's Law on Foreign Investments attempts to create a hospitable legal climate for foreign investors and stipulates the following:

- No prior government authorization is needed for an initial investment.
- 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.
- Foreign investors receive most favored nation treatment according to international agreements and Albanian law.

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 and foreign entities, but may be rented for up to 99 years. Investors can buy agricultural land if registered as a commercial entity in Albania. 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.

In an effort to boost investments in strategic sectors, the government approved a new law on strategic investments in May 2015. Under this law, an investment deemed as a "strategic investment" by the government would benefit from either "Assisted Procedure" or "Special Procedure" assistance from the government in navigating the permitting and regulatory process. To date, no major investors have taken advantage of this law.

Major Laws Governing Foreign Investments:

- Law 9901/2008 "On Entrepreneurs and Commercial Companies": Outlines general rules and regulations on the merger of commercial companies.
- Law 110/2012 "On Cross-Border Mergers": Determines rules on mergers when one of the companies involved in the process is a foreign company.
- Law 9121/2003 "On Protection of Competition": Stipulates provisions for the protection of competition, and the concentration of commercial companies.

- Law 10198/2009 "On Collective Investment Undertakings": Regulates conditions and criteria for the establishment, constitution, and operation of collective investment undertakings and of management companies.

Authorities responsible for mergers, change of control, and transfer of shares are: Albanian Competition Authority (ACA) <http://www.caa.gov.al/laws/list/category/1/page/1> which monitors the implementation of the competition law and approves mergers and acquisitions when required by the law; and, the Albanian Financial Supervisory Authority (FSA) <http://www.amf.gov.al/liqje.asp> which regulates and supervises the securities market and approves the transfer of shares and change of control of companies operating in this sector.

Investors in Albania are entitled to judicial protection of legal rights related to their investments. Foreign investors have the right to bring claims to an Albanian court. In addition, parties to a dispute may agree to non-judicial arbitration. Albania is a signatory of the New York Convention; foreign arbitration awards typically are recognized by Albania, although the government refused to recognize an injunction from a foreign arbitration court in one high profile case in 2016, calling into question the government's commitment to arbitration. The Albanian Civil Procedure Code outlines provisions regarding domestic and international commercial arbitration. Many foreign investors complain that endemic corruption and inefficient court procedures undermine judicial protection in Albania and choose to seek international arbitration as the most expeditious means of dispute resolution.

Albania's tax system does not distinguish between foreign and domestic investors. Informality in the economy (as high as 50 percent) makes tax administration a challenge.

Visa requirements to obtain residence or work permits 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 states that a foreign employer will be granted a work permit if the number of foreign employees in the 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.

The Law on Concessions establishes the framework for promoting and facilitating the implementation of privately financed concessionary projects. Concessions may be identified by central or local governments or through third party unsolicited proposals. In the case of unsolicited proposals, the proposing company is entitled to receive a bonus of up to 10% of total points based on the technical and financial proposal.

Business Registration

According to the 2016 World Bank Doing Business Report, it takes an average of six procedures and 5.5 days to start a company in Albania. The National Registration Center (NRC) serves as a one-stop shop for business registration. All required procedures and documents are published on-line at http://www.qkr.gov.al/nrc/Udhezime_Bij.aspx. The registration may be done in person, or online via the e-Albania portal at <https://www.e-albania.al/sherbimi.aspx?kodi=3428>. Many companies choose to complete the registration process in person, as the online portal requires an authentication process and electronic signature and is only available in Albanian. Business licenses can be acquired through the Business Licensing Center at www.qkl.gov.al.

The Albanian Investment Development Agency (AIDA) is in charge of promoting foreign investments in Albania. Investors intending to invest in Albania should contact AIDA to learn more about the services AIDA offers for foreign investors <http://aida.gov.al/>.

The Law on Strategic Investments stipulates that AIDA, as the Secretariat of the Strategic Investment Council, serves as a *one stop window* for foreign investors, following all the administrative procedures from the filing of the application form to granting the status of strategic investment/investor.

The deadline for application to receive the status of strategic investment/investor is December 2018. The legal framework regulating the strategic investments can be found at the Albanian Investment Development Agency page at: <http://aida.gov.al/pages/strategic-investments>

For tax purposes companies are categorized based on their annual turnover. As of January 2016, companies that generate up to 5 million lek (roughly \$40K) and from 5-8 million lek (\$40 - \$64k) are considered small companies and are subject to a simplified income tax of respectively 0% and 5%. Companies with a turnover of more than 8 million lek (\$64K) are considered large companies and incur a 15% corporate income tax.

The law on small and medium enterprises categorizes companies in:

- Micro companies: Less than 10 employees and a turnover of less than 10 million lek (\$80,000).
- Small companies: 10-49 employees and a turnover of less than 50 million lek (\$400,000).
- Medium companies: 50-250 employees and a turnover of less than 250 million lek (\$2,000,000).

Industrial Promotion

The GOA is eager to attract foreign investment across all sectors, particularly in job creating industries that help the government address high unemployment rates. Please see a detailed list of incentives under the subchapter below. Interested investors should contact the Albanian Investment Development Agency (AIDA) (www.aida.gov.al), to learn more about specific sectors.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are generally no restrictions on foreign ownership or control in domestic corporations. According to the Albanian legislation, 100 percent foreign ownership of companies is allowed in almost all sectors with a few exceptions including:

- International air passenger transport (foreign ownership of airline companies is limited to 49% ownership for investors outside the Common European Aviation Zone).
- Electric power transmission (100% state owned).
- Television broadcasting (no entity may own more than 40% of a television company).

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 foreign individuals or foreign companies, 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. Foreigners can acquire concession rights on natural resources and on resources of the common interest, as defined by the Law on Concessions and Public Private Partnerships.

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.

Privatization Program

The privatization process in Albania is nearing a conclusion, with only a few major privatizations remaining. These few opportunities include the electricity distribution company, 16 percent of the fixed line telephone company Albtelekom, state-owned oil company Albpetrol, and, 25 percent of oil refinery ARMO. SOEs operate in the energy generation, electricity transmission and distribution, water supply, ports, railway, insurance, postal services, and hydrocarbon sectors.

Screening of FDI

The government does not screen foreign direct investment.

Competition Law

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 may also be necessary. 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.

2. Conversion and Transfer Policies

Foreign Exchange

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. Foreign exchange is regulated by the 2009 Regulation on Foreign Exchange Activities no. 70 (FX Regulation).

The BOA maintains a floating free exchange rate regime for its domestic currency, the Lek (ALL). Foreign exchange is readily available at banks and exchange bureaus. However, when exchanging large amounts, preliminary notification may be necessary as a technical matter given the exchange market in Albania remains small. The domestic currency has remained stable compared to the Euro, but depreciated by approximately 25 percent compared to the dollar over the past year (largely due to Euro depreciation). Albanian authorities do not engage in currency arbitrage and do not view it as an efficient instrument to achieve competitive advantage.

Remittance Policies

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. The last time was in 2009 when 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 (banks) may conduct foreign exchange transfers; waiting periods depend on office procedures adopted by the banks. Both Albanian and foreign citizens entering or leaving the country must declare assets in excess of ALL 1,000,000 (USD 8,000) 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. Legal parallel markets are not in place in Albania as the financial sector does not make use of convertible or negotiable instruments.

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. In January 2015, The FX Regulation was amended and the requirement to present the documentation showing the preliminary payment of taxes related to the transaction was removed.

Albania is not a major trading partner for the United States, but in general it does not engage in policy currency manipulation tactics. 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. The INCRS 2015 report categorizes Albania as a country of jurisdiction of concern with regard to money laundering.

3. Expropriation and Compensation

The Albanian Constitution guarantees the right of private property. According to Article 41, 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 complains.

Political change also can be of concern to foreign investors. Following 2013 elections and a peaceful transition of power, the new government revoked or attempted to renegotiate numerous concession agreements, licenses, and contracts signed by the previous government with both domestic and international investors. This has occurred in years past, as well.

There are many ongoing disputes regarding properties confiscated during the communist regime. Identifying land titles and ownership in Albania is a longstanding 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 Strasbourg, France. The Court has so far issued 23 (5 just in 2015) decisions in favor of Albanian citizens in civil cases involving protection of property with an assessed financial cost of approximately \$30 million. Reportedly, there are approximately 400 applications pending for consideration. Even after settlement in Strasbourg, enforcement of the decision is often slow or nonexistent.

The GOA has recently approved new legislation on property compensation, which aims to provide a final solution to the pending claims for restitution and compensation. The legislation presents three methods of compensation for confiscation claims: restitution; compensation of property with similarly valued land in a different location; and cash settlement/financial compensation. The legislation sets a 10-year timeframe for the completion of the whole process.

Albanian governments at the federal or sub-federal level 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 claims of contract violation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Albania legal system is based on the continental judicial system. 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. The district courts are organized in specialized sections according to the subject of the claim: civil disputes; family disputes; and commercial disputes.

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 expeditious adjudication of administrative cases. 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; etc.

Corruption is rampant in the Albanian judicial system and U.S. investors are advised to include binding international arbitration clauses in any agreements with Albanian counterparts. The government typically respects decisions from international arbitration courts, but, as reported above, recently ignored an injunction from such a court in a high-

profile investment dispute. Albania is a signatory of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and normally foreign arbitration awards may be enforced in local courts.

Bankruptcy

Although Albania maintains adequate bankruptcy legislation, actual bankruptcies are rare in practice. Corrupt and inefficient bankruptcy courts make it difficult for companies to either reorganize or discharge debts through 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 bankruptcy procedure can be initiated by debtors, creditors, or, tax authorities. Debtors and creditors can file for either liquidation or reorganization. Tax authorities can request a bankruptcy procedure when the subject reports losses of three years in a row. Bankruptcy proceedings also may be invoked when the debtor is unable to pay the obligations at maturity date or will be unable to pay them in the near future.

According to the provisions of the Bankruptcy Law, the initiation of the bankruptcy proceeding would suspend the enforcement of the claims of all the creditors against the debtor subject to bankruptcy. Creditors of all categories should submit their claims to the bankruptcy administrator in order to be treated under the bankruptcy proceeding. The Bankruptcy Law provides specific treatment for different categories, dividing them into: secured creditors; unsecured creditors; and unsecured creditors of lower ranking (i.e. those whose claims would be paid after all the secured and unsecured creditors are satisfied). The claims of the secured creditors will be satisfied by the assets of the debtor, which secure such claims under security agreements. The claims of the unsecured creditors will be paid out of bankruptcy estate excluding the assets used for payment of the secured creditors, following the priority ranking described under the Albanian Civil Code.

Pursuant to the provisions of the Bankruptcy Law, the creditors have the right to establish a creditors committee and the creditors' assembly. The creditors' committee is appointed by the Commercial Section Courts, before the first meeting of the creditors' assembly. The creditors' committee represents the secured creditors, the unsecured creditors with the larger claims, and creditors with the small claims. The committee has the right: (a) to support and supervise the activities of the insolvency administrator; (b) to request and receive information about the insolvency proceedings; c) to inspect the books and records; and d) to order an examination of the revenues and cash balances.

In the event that the creditors and administrator agree that reorganizing the company is the best option, the administrator of the bankruptcy prepares a reorganization plan and submits it to the court for authorizing implementation.

According to the insolvency procedures, only creditors whose rights are affected by the proposed reorganization plan enjoy the right of vote and the dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation. Creditors are divided into classes for the purposes of voting on the reorganization plan and each class votes separately and creditors of the same class are treated equally.

The insolvency framework allows for the continuation of contracts supplying essential goods and services to the debtor; the rejection by the debtor of overly burdensome contracts; the avoidance of preferential or undervalued transactions; and the possibility of the debtor

obtaining credit after commencement of insolvency proceedings. No priority is assigned to post-commencement creditors.

The creditor has the right to object to decisions accepting or rejecting creditors' claims, and they should approve the sale of substantial assets of the debtor. The creditor does not have the right to request information from the insolvency representative and the law does not require approval by the creditor for the selection of appointment of the insolvency representative.

According to the law on bankruptcy, foreign creditors have the same rights as domestic creditors with respect to the commencement of, and participation in, a bankruptcy proceeding. The claim is valued as of the date the insolvency proceeding is opened. Claims expressed in foreign currency are converted into Albanian currency according to the official exchange value applicable to the place of payment at the time of the opening of the proceeding.

The Albanian Criminal Code provides for several criminal offences in bankruptcy such as: (i) the bankruptcy provoked intentionally; (ii) concealment of bankruptcy status; (iii) concealment of assets after bankruptcy; and (iv) failure to comply with the obligations arising under bankruptcy proceeding.

According to the 2015 Doing Business Report of the World Bank, Albania ranks 42 out of 189 countries in the insolvency index. A reference analysis of the 'resolving insolvency' can be found at: <http://www.doingbusiness.org/data/exploreeconomies/albania/resolving-insolvency/>.

The number of bankruptcy requests in Albania is growing with 88 new requests for bankruptcy filed during 2015, with the majority requested by the Taxation Department.

Investment Disputes

In the past ten years, there have been four major investment disputes between the Albanian government and U.S. companies, three of which led to international arbitration. Despite a stated desire to attract and support foreign investors, U.S. investors in disputes with the Albanian government report a lack of productive dialogue and a reluctance to settle the disputes until they either are escalated to the level of international arbitration or the international community exerts pressure on the government to resolve the issue. U.S. investors in Albania are encouraged to include strong binding arbitration clauses in any agreements with Albanian counterparts.

International Arbitration

ICSID Convention and New York Convention

Under the Albanian Constitution, ratified international agreements prevail over domestic legislation. Albania is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). It also is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). Albania has ratified the 1927 Convention and the European Convention on Arbitration (Geneva Convention).

In order for an arbitration award to be locally recognized, the claimant must enforce the award before the Court of Appeals. The procedure 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).

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.

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. Mediation also is applicable in resolving all civil, commercial, and family disputes and is regulated by the law "On Dispute Resolution through Mediation." Arbitral awards are final and enforceable and can be appealed only in cases foreseen in the Code of Civil Procedure. Mediation is final and enforceable in the same way.

There are no consolidated institutions for dispute resolution through arbitration and arbiters are appointed ad hoc in compliance with the provisions of the Code of Civil Procedure. While for the mediation process, the law provides for the establishment of the National Chamber of Mediators and Chambers of Mediators as institutions to perform mediation. Mediators are licensed and registered at the Mediators Register at the Ministry of Justice, which maintains a list of mediators from which the parties can choose.

The provisions with respect to arbitration procedures and the recognition and enforcement of the foreign awards are stipulated in the Albanian Code of Civil Procedure. Albania does not have a separate law on arbitration. Although the arbitration chapter of the Code of Civil procedure stipulates only the rules for domestic arbitration, the country is signatory of the 1958 New York Convention and as such, is legally obligated to recognize the validity of the written arbitration agreements and arbitral awards in a contracting state.

Duration of Dispute Resolution – Local Courts

The Albanian Code of Civil Procedure requires the courts to reach a judgment within a reasonable amount of time, but it does not provide for a specific deadline when referring to commercial disputes. Reaching a final judgment in a commercial litigation may take several years if all the stages of the process are exhausted.

An appeal against a court decision that recognizes a foreign arbitral award does not automatically suspend the effects of the enforcement.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Albania does not have any performance requirements that are inconsistent with the World Trade Organization (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.

Investment Incentives

The Albanian Investment Development Agency (www.aida.gov.al) is the best source to find incentives offered across a variety of sectors. Distinct from the incentives listed below, individual parties may negotiate additional incentives directly through AIDA or with the Ministry of Economy, Trade, Tourism and Entrepreneurship.

In an effort to boost investments in strategic sectors, in May 2015 the Government of Albania approved a new law on strategic investments, which creates two categories – Assisted Procedure or Special Procedure – and outlines the criteria, rules, and procedures that state authorities shall use when granting the status of strategic investment. A strategic investment is an investment of public interest, based on several criteria including: size of the investment, implementation time, productivity and added value, creation of new jobs, sectorial economic priorities, regional and local economic development, etc. The law does not discriminate between foreign and domestic investors.

The following sectors are defined as strategic sectors: Mining and Energy; Transport, Electronic Communication Infrastructure, and Urban Waste Industry; Tourism (touristic structures); Agriculture (Large Agricultural Farms) and Fishing; Economic Zones; and Development Priority Areas. The law foresees that investments in strategic sectors may benefit from a financial grant which varies from 1 million to 100 million euro, and comes with the status of Assisted Procedure or Special Procedure, depending on the sector and other criteria stipulated in the law. In the Assisted Procedure the public administration coordinates, assists, and supervises the entire administrative process for the investment approval and makes available to the investor state owned property needed for the investment. In the Special Procedure the investor also enjoys state support for the expropriation of private property and the ratification of the contract by Parliament.

The law and bylaws that entered into force on January 1, 2016, foresee the establishment of the Strategic Investments Committee (SIC), a collegial body headed by the PM whose members include ministers covering the respective strategic sectors, state advocate, and on a case by case basis ministers whose portfolios are impacted by the strategic investment. The Albanian Investment Development Agency (AIDA) serves as the Secretariat of SIC and is in charge of providing administrative support to investors. The SIC is in charge of granting the status of Assisted Procedure and Special Procedure, for strategic investments/investors based on the size of investments and other criteria defined in the law.

- Energy and Mining, Transport, Electronic Communication Infrastructure, and Urban Waste Industry: Investments greater than 30 million euro enjoy the status of assisted procedure; equal or higher than 50 million enjoy the status of special procedure.
- Tourism and Economic Areas: Investments equal or higher than 5 million euro enjoy the status of assisted procedure and greater than 50 million enjoy the status of special procedure.
- Agriculture (large agricultural farms) and Fishing: Investments greater than 3 million euros, which create at least 50 new jobs enjoy the status of assisted procedure and greater than 50 million euros enjoy the status of special procedure.
- Development Priority Areas: Investments greater than 1 million euro that create at least 150 new jobs enjoy the status of assisted procedure. Investments greater than 10 million euros which create at least 600 new jobs enjoy the status of special procedure

Additional investment incentives:

Energy sector: Cement and iron imported for the construction of hydropower plants is VAT exempt.

Foreign tax credit: Albania applies foreign tax credits rights even in case there is no double tax treaty in place with the country where the tax is paid. If a double taxation treaty is in force, double taxation is avoided either through an exemption or by granting tax credit up to the amount of the applicable Albanian corporate income tax rate (currently 15 percent).

Corporate income tax exemption: Film studios and cinematographic productions, licensed and funded by the National Cinematographic Centre are exempt from paying corporate income tax.

Loss carry forward for corporate income tax purposes: Fiscal losses can be carried forward for three consecutive years (the first losses are used the first). However, they can't be carried forward if more than 50 percent of direct or indirect ownership of the share capital or voting rights of the taxpayer is transferred (changed) during the tax year.

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. This applies, despite the participation quote, in amounts or number of shares, in shareholder capital of the voting rights or participation in initial capital of the beneficiary.

Lease of public property: Government of Albania can lease public property of more than 500 m², or grant a concession for the symbolic price of 1 euro if the properties will be used for manufacturing activities with an investment exceeding 10 million euro, or for inward processing activities. The GOA can also lease public property or grant a concession for the symbolic price of 1 euro for investments of more than 2 million euro on 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 by case basis by the Council of Ministers.

Manufacturing activities: are exempt from VAT on machinery and equipment.

The employer is exempt from the social security tax payment for 1 year for all new employees.

The state pays the salaries for 4 months for the new employees and offers various financing incentives for job training.

VAT credit for fuel: Taxpayers whose main business activity is the production of bricks and tiles and the transport of goods with technological means are allowed to credit VAT on the purchase of fuel used wholly and exclusively for their business activities, up to the limit of a certain percentage of the taxpayer's total annual turnover.

Manufacturing sector obtains VAT refunds immediately in the case of zero risk exporters, within 30 days if the taxpayer is an exporter, and within 60 days in the case of other taxpayers.

Apparel and footwear producers are exempt from 20 percent VAT on raw materials as long as the finished product is exported. In 2011, the GOA also removed customs tariffs for imported apparel and raw materials in the textile and shoe industries (e.g. leather used for clothes, cotton, viscose, velvet, sewing accessories, etc.)

Research and Development

The Agency for Research, Technology and Innovation (ARTI), is a public, legal institution whose mission is to evaluate, finance, monitor and manage programs and projects in the fields of science, technology and innovation in Albania. ARTI (<http://www.akti.gov.al/>) aims to target projects for small and medium-sized businesses as well as the transfer,

modernization, and renewal of their technologies. The Agency is funded by a combination of the state budget, donations by both domestic and foreign individuals and private sector, EU programs and projects, from specific countries and partner organizations. There are no restrictions against foreign firms operating in Albania to apply for research and development projects.

Performance Requirements

Although visa, residence, and work permit requirements are straightforward and do not usually pose an undue burden on potential investors, the Law on Foreigners requires foreign investors to prove that foreign employees comprise less than 10 percent of the company's total workforce before granting a work permit.

Data Storage

According to the current legislation in force, companies that have sensitive data (mostly in telecommunications, banking, energy sector, etc.) are not authorized to transfer data abroad. In order to do so, they need to get approvals and fulfill certain security criteria. As such, many companies operating in Albania are returning their data inside Albania. The two large private datacenters in Albania belong to the telecom operator Albtelecom and Albanian Telecommunication Union (ATU.)

6. Protection of Property Rights

Real Property

Real Estate is registered at the Immovable Property Registration Office (IPRO). The procedures are cumbersome and registrants have complained of corruption within the process. Recent changes in legislation allow a notary public to have access to real estate registers and confirm the legal ownership of property. The process of registering property remains cumbersome and difficult to navigate. For large transactions, it is still advisable to hire an attorney to check documents and procedures for property registration.

Property legislation has developed in a piecemeal and uncoordinated way. The reform in the sector has not fully achieved the consolidation of property rights and the elimination of legal uncertainties. Immovable property rights enforcement is not efficient and is a common source of corruption allegations and lengthy legal procedures. Through the use of international donor assistance the registration system has improved. The initial property registration process has seen progress but the finalization of the process has stalled in recent years. Approximately 17 percent of properties nationwide are not yet 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 440,000 illegal buildings in Albania of which only 52,000 have been legalized so far. In an attempt to legalize property and punish illegal construction, the government's National Urban Construction Inspectorate (INUK) began a campaign of demolition in late 2013. There were credible reports that the government demolished some homes without due legal process as part of a wider campaign to demolish illegally constructed buildings. Citizens also submitted complaints that INUK ignored citizens' requests to demolish some illegal buildings while choosing to demolish other buildings about which citizens had not complained.

The civil court system manages property rights disputes. Decisions from civil courts often take many years and authorities often do not enforce court decisions. In 2010, there were amendments to the law on foreign investments, which granted special protection to foreign investors on property disputes. However, the new law on strategic investments aims to fill in the gap and provide to foreign investors assistance on a large variety of issues including

property title. Foreigners and/or foreign entities can purchase commercial land only if the investment is more than three times of the value of land. In case of agriculture land, it can only be leased for 99 years.

According to the 2016 World Bank's Doing Business Report, Albania performed poorly in the registering property category, ranking 107 out of 189 economies. It still takes 22 days and 6 procedures to register a property and the associated cost can reach 10 percent of the total property value.

Intellectual Property Rights

Albania is not and never has been on the Special 301 Watch List, Priority Watch List, or Notorious Markets report. However, IPR infringement and theft are common due to weak legal structures and poor enforcement. Counterfeit goods are present in the local market ranging from software to garments and machines. Albanian law protects copyrights, patents, trademarks, stamps, marks 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 strong contracts.

Parliament passed a new IPR law which, when enacted, will harmonize domestic legislation with EU law in order to strengthen IPR enforcement and address shortcomings in existing legislation. 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, the Tax Inspectorate, the Prosecutor's Office, police, and courts. The new law also stipulates the establishment of three new bodies on IPR issues, the National Council of Copyrights, which will be responsible to monitor the implementation of the law, the Agency for the Collective Administration, in charge of IPR administration, and the Copyrights Department within the Ministry of Culture.

While official figures are not available, Customs does report the quantity of counterfeit goods destroyed annually. In case of seizure, the rights holder has the burden of proof and must first inspect the goods before any further action takes place. The rights holder is also responsible for the storage and destruction of the counterfeit goods.

Law enforcement on copyrights remains virtually nonexistent and copyright violations are rampant. Most IP-related fines are never collected and the few cases that the regulatory agencies refer to prosecutors are rarely enforced. The number of copyright violation cases 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.

Patents and Trademarks

The General Directorate for Patents and Trademarks (GDPT) is responsible for the registration and administration of patents, commercial trademarks and service marks, industrial designs, and geographical indications. The 2008 law on Industrial Property was amended in 2014 to reflect EU legislation on this matter. Despite adequate legislation, the GDPT still needs further capacity building and additional human resources to be effective. Specifically, examination procedures are lengthy due to the very limited number of examiners for patents and trademarks.

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/>.

Resources for Rights Holders

Contact at mission on IP issues:

- Donald A. Brown
- Economic and Commercial Officer
- Phone: + 355 (0) 4229 3115
- E-mail: BrownDA8@state.gov

Country resources:

- American Chamber of Commerce: www.amcham.com.al
- Address: Rr. Deshmoret e 4 shkurtit, Sky Tower, kati 11 Ap 3 Tirana, Albania
- Email: info@amcham.com.al
- Phone: +355 (0) 4225 9779
- Fax: +355 (0) 4223 5350

List of local lawyers

http://tirana.usembassy.gov/list_of_attorneys.html

7. Transparency of the Regulatory System

Albania's regulatory system has improved in recent years but still faces challenges. Uneven enforcement of legislation, cumbersome bureaucracy, and lack of transparency are all hindrances to the business community.

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 promote clear market rules, but uneven enforcement remains one of the major reasons for distorting competition in the market.

Albanian legislation includes rules on disclosure requirements, formation, maintenance and alteration of capital, mergers and divisions, takeover bids, 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.

Other independent agencies and bodies, including the Energy Regulator (ERE), Telecom Regulator (AKEP), Natural Resources Bureau (AKBN), and other major institutions operate to ensure transparency in specific sectors.

State-owned oil company AlbPetrol retains some regulatory authority over legacy oilfields and is a consistent source of reports of corruption, predatory interpretation of regulations, and inefficiency in the hydrocarbon sector. Major foreign investors in this sector report difficulties in complying with often overlapping regulatory requirements and inconsistent and

often conflicting interpretation of Albanian legislation and regulations governing oil exploration and extraction.

8. Efficient Capital Markets and Portfolio Investment

In the absence of a stock market, the country's banking sector remains the main channel for business financing. It is sound, profitable, and well-capitalized, although the high rate of non-performing loans remains a concern. The Bank of Albania's legal measures to address the problem have generated positive results. At the end of 2015, non-performing loans dropped to 18.2 percent of all private loans, marking a significant reduction compared to their peak level of 25 percent throughout most of the 2014. Capital adequacy at 15.7 percent -- far above Basel requirements -- indicates the sector currently has sufficient assets, which totaled \$11 billion in 2015. The banking sector is fully private and consists of 16 banks, most of which are subsidiaries of foreign banks. The Turkish National Commercial Bank is the largest bank, with 25.4 percent of the market, followed by Austrian Raiffeisen Bank with 21.5 percent market share. The market share of Greek banks has decreased significantly in recent years to approximately 14 percent of market share.

Money and Banking System, Hostile Takeovers

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 2015 reached an historical record of \$125 million, marking an increase of 33 percent compared to last year. Return on assets and on equities also increased respectively to 1.2 percent and 13.2 percent. Market concentration remains high, as the five largest banks dominate the market with about 73 percent of total assets. 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 an attempt to stimulate business activity, the Bank of Albania further loosened monetary policy in 2015 with official central bank interest rates reaching a historical low of 1.75 percent.

Foreigners are not required to prove a residency status to establish a bank account other than the normal 'know your client' procedures. However, U.S. citizens are required to fill out a form accepting the disclosure of their banking data to IRS authorities in the framework of U.S. Foreign Account Tax Compliance Act requirements.

Commercial Credit

The government has adopted policies promoting the free flow of financial resources as a mechanism to promote any type of foreign investment in Albania. The government and Central Bank refrain from restrictions on payments and transfers for international transactions. While being a shallow FX market, banks enjoy enough liquidity to support sizeable positions. Furthermore, portfolio investments remain limited mostly to company shares, government bonds, and real estate.

The high rate of non-performing loans and the economic slowdown has forced commercial banks to tighten their lending standards, making access to local capital more difficult. The stock of loans decreased by 2.4 percent on annual basis in 2015 due to sluggish business activity and bad loan write-offs. The credit market is quite competitive but interest rates can be high, currently between 6.5 and 9.4 percent. Most mortgage and commercial loans are denominated in euros as rate differentials between local and foreign currency average 2-3 percent. Commercial banks have improved the quality and quantity of services they offer and the private sector has benefited from the expansion of these instruments.

9. Competition from State-Owned Enterprises

The major state owned enterprises are Electric Distribution Operator OSHEE, Transmission System Operator OST, Electricity Generation Company KESH, Oil and Gas Operator, Albpetrol, Albanian Post Office, and the Albanian Railway System. There is no published list of SOEs and there are no clear data on their assets, net income, and total number of employees.

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. 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 tax levels and procedures, 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. The SOEs purchase and supply goods and services from and to the domestic and foreign companies, and are subject to public procurement law .

Albania is not part of the Government Procurement Agreement (GPA) of the World Trade Organization (WTO.) However, private companies can compete openly and under the same terms and conditions with respect to market share, product/ services and incentives.

OECD Guidelines on Corporate Governance of SOEs

The SOE operation in Albania is regulated by the Law on Entrepreneurs and Commercial Companies, Law on State Owned Enterprises, and the Law on the Transformation of State Owned Enterprises into Commercial Companies. The Ministry of the Economic Development, Tourism, Trade and Entrepreneurship represents the state as the owner of the SOEs. There are no legal binding requirements for the SOEs to adhere to OECD guidelines. However, basic principles of corporate governance are stipulated in the above mentioned laws and are generally in line with the OECD Guidelines. The corporate governance structure of the SOE includes the Supervisory Board and the General Director (Administrator) in the case of the joint stock companies. The Supervisory Board is comprised of 3-9 members, who are not employed by the SOE and are appointed two-thirds by the representative of the owner, which is the Ministry of Economic Development, Tourism, Trade and Entrepreneurship, and one-third by the line ministry, local government unit, or the institution to which the company reports. The Supervisory Board is the highest decision making authority, and appoints and dismisses the Administrator for the SOE, by two-thirds of the vote. In the case of SOEs operating in the electricity sector, the representative of the owner and the appointment of Supervisory Board members is regulated by the Law on the Electrical Energy Sector and in the sector of natural gas by the Law on the Sector of Natural Gas.

Sovereign Wealth Funds

Albania does not have a sovereign wealth fund.

10. Responsible Business Conduct

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. 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. Efforts from international organizations to promote CSR awareness, however, are beginning to bear fruit. Thanks to the efforts of the international community and large international companies, the first Albanian CSR Network was founded in March 2013 as a business-led non-profit organization. The American Chamber of Commerce also formed a CSR subcommittee

to promote CSR amongst its members in 2015. The government maintains relatively robust CSR, labor and employment rights, consumer protection, and environmental protection legislation, but enforcement and implementation is inconsistent.

Albania is member of the Extractive Industries Transparency Initiative (EITI) and a compliant country since May 2013.

OECD Guidelines for Multinational Enterprises

While Albania is not an adherent to the OECD Guidelines for Multinational Enterprises, the Law on Commercial Companies and Entrepreneurs outlines generic corporate governance and accounting standards. According to the above mentioned law and the law on the national business registration center, companies are required to make a public disclosure when changing administrators, and shareholders and to disclose financial statements.

The Corporate Governance Code for unlisted joint stock companies incorporates the OECD definitions and Principles of 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.

11. Political Violence

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.

12. Corruption

Corruption remains a persistent and pervasive problem at all levels of Albanian society and is the largest deterrent of U.S. investment in Albania. Despite frequent legislative improvements and governmental structures designed to fight corruption, a culture of impunity is widespread and deeply rooted in Albania. Ordinary citizens and foreign investors alike can point to the judiciary, uneven enforcement of laws and property rights, the opaque regulatory environment, and government procurement as indicators of endemic corruption. Investors often cite the corruption in the judiciary as one of the main reasons why they prefer to solve disputes outside the courts or through international arbitration. Although the number of corruption investigations is rising, conviction rates remain low. Furthermore, high-level corruption cases of politicians or well-connected business leaders very rarely end in conviction. Under the Albanian Criminal Code, both active and passive corruption, abuse of office and undue influence are considered criminal offences. In addition to basic corruption offenses, there are specific criminal provisions addressing active and passive corruption by persons exercising public functions, high state officials and locally elected persons, judges, prosecutors, and employees of the judicial bodies and the private sector. Provisions addressing cases of bribery by foreign public officials exist while penalties for corruption in the private sector have increased. There also are provisions addressing trading in influence. Legislation on conflict of interest and declarations of assets by public officials, their spouses and adult children also is in place and was amended several times to address the loopholes and improve the efficiency. In 2012, Parliament restricted the immunity of high-level public officials and judges while 2014 amendments of the Criminal Procedure Code enabled the proper enforcement of these constitutional changes. Despite these amendments, successful prosecutions of high-level officials, despite frequent investigations and allegations, remains rare.

Police authorities and the Prosecutor General's Office are in charge of criminal investigations and law enforcement, while the High State Audit and internal auditing units within various state institutions inspect, assess, and report alleged cases of corruption. The High Inspectorate for the Declaration and Audit of Assets and Conflict of Interest (HIDAACI) collects and audits the annual declaration of assets and properties of around 5,000 mid- and high-level public officials in central and local executive agencies and supervises the prevention of conflicts of interest. In the Judiciary, the High Council of Justice is in charge of the appointment and removal of judges and prosecutors in district and appeals courts. Specialized inspectors investigate allegations of misconduct of judges and the High Council of Justice then takes the relevant disciplinary measures.

Perception of corruption continues to be high; Albania ranked 88th out of 168 countries in the 2015 Transparency International Corruption Perception Index, although the Transparency International office in Albania suspended its operations in 2015. Some NGOs perform watchdog functions regarding corruption, but the role of civil society in denouncing corruption is weak.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The government has ratified several corruption-related international treaties and conventions and is a member of major international organizations and programs dealing with corruption and/or organized crime. Albania has ratified the Civil Law Convention on Corruption (Council of Europe), the Criminal Law Convention on Corruption (Council of Europe), the Additional Protocol to Criminal Law Convention on Corruption (Council of Europe), and the United Nations Convention against Corruption (UNCAC). Albania also has ratified a number of key conventions in the broader field of economic crime, including the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (2001) and Convention on Cybercrime (2002). Albania has been a member of the Group of States against Corruption (GRECO) since the ratification of the Criminal Law Convention on Corruption in 2001 and also is a member of the Stability Pact Anti-Corruption Network (SPAI). Albania is not a member of the OECD convention on Combating Bribery of Foreign Public Officials in international Business Transactions.

Resources to Report Corruption

Government online portal to denounce corruption:

www.stopkorrupsionit.al

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

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 the better of national or most-favored-nation treatment, and provides for investor-State dispute settlement. There is no free trade agreement or bilateral taxation treaty between the two countries.

As of December 2015, Albania has concluded bilateral investment treaties with 44 countries: Austria, Azerbaijan, Belgium-Luxembourg Economic Area, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Islamic Republic of Iran, Israel, Italy, Kosovo, Kuwait, Lithuania, Macedonia, Malta, Malaysia, Moldova, Netherlands, Poland, Portugal, Republic of Korea, Qatar, Romania, Russia, San Marino, Serbia, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, and the USA. Out of 44 agreements, ten are not yet in force.

As of December 2015, Albania has signed treaties for the avoidance of double taxation with the following countries: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Egypt, Estonia, France, Germany, Great Britain, Greece, Hungary, India, Ireland, Italy, Island, South Korea, Kosovo, Kuwait, Latvia, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Qatar, Romania, Russia, Serbia, Singapore, Slovenia, Spain, Sweden, Switzerland, Turkey, and United Arab Emirates

Albania also has signed free trade agreements with the EU, CEFTA countries (Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Kosovo, and Moldova), EFTA countries (Switzerland, Liechtenstein, Norway, and Iceland), and Turkey. In addition, in 1992 Albania ratified the Agreement on Promotion, Protection and Guarantee of Investments amongst the Member States of the Organization of the Islamic Conference.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Albania does not have any functional duty free import zones, although the legislation exists to create them. The May 2015 amendments to the Law on the Establishment and Operation of Technical and Economic Development Areas (TEDA) established the legal framework for the establishment of TEDAs (a.k.a. free trade zones), defining the incentives for developers investing in the development of these zones as well as companies operating within the zones. The Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE) has announced three investment opportunities seeking private sector developers to obtain, develop, and operate three fully serviced areas, located in Koplík (61 ha), Spítalla (501.9 ha), and, Vlora (230 ha.) Interested investors and developers may find more information for the development of Technical and Economic Development Areas (TEDA) at the following page http://www.teda.gov.al/?page_id=309.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	13,227	2014	13,210	www.worldbank.org/en/country
Foreign Direct Investment	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 (\$M USD,	2014	\$116	2014	(2)	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

stock positions)					
Host country's FDI in the United States (\$M USD, stock positions)	2014	Not available	2014	0	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	0	2014	0	Not available

*Domestic Sources: Bank of Albania <http://www.bankofalbania.org/>
Albanian Institute of Statistics <http://www.instat.gov.al/>
Albanian Ministry of Finances: <http://www.financa.gov.al/>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data						
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)						
Inward Direct Investment				Outward Direct Investment		
Total Inward		4,283	100%	Total Outward	Not available	100%
Greece		1,385	32			
Canada		906	21			
Netherlands		565	13			
Austria		365	9			
Turkey		357	8			

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

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars) – June 2015								
Total			Equity Securities			Total Debt Securities		
All Countries	620	100%	All Countries	30	100%	All Countries	590	100%
Turkey	175	28%	Not available			Russia Federation	51	9%

Russia Federation	51	8%				Luxembourg	38	6%
Italy	50	8%				Netherlands	25	4%
Luxembourg	38	6%				Brazil	18	3%
Netherlands	25	4%				Croatia	17	3%

Source: IMF's Coordinated Portfolio Investment Survey (CPIS) (cpis.imf.org)

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil law system except in the northern rural areas where customary law known as the "Code of Leke" prevails

International organization participation:

BSEC, CD, CE, CEI, EAPC, EBRD, EITI (candidate country), FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, ITUC (NGOs), MIGA, NATO, OAS (observer), OIC, OIF, OPCW, OSCE, PCA, SELEC, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There are no foreign currency exchange controls.

Treaty and non-treaty withholding tax rates

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

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

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

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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