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**Trade Policy Review Body****TRADE POLICY REVIEW**

## REPORT BY THE SECRETARIAT

## ALBANIA

*Revision*

This report, prepared for the third Trade Policy Review of Albania, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Albania on its trade policies and practices.

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Document [WT/TPR/G/449/Rev.1](#) contains the policy statement submitted by Albania.

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## SUMMARY

1. Albania is a small upper middle-income economy in the Western Balkans with a population of 2.8 million. Services account for more than 50% of GDP, while agriculture continues to play an important albeit declining role, as do remittances.

2. A major earthquake in 2019, the COVID-19 pandemic, and price effects resulting from the war in Ukraine affected economic growth during the review period. Despite these challenges and a real GDP contraction of 3.3% in 2020, the economy overall expanded on average by 3.2% annually in real terms between 2015 and 2022, and labour force participation increased. A significant share of imports is processed and re-exported, with some manufacturing and services activities growing in importance.

3. In response to these challenges, the Government adopted economic stimulus measures that aimed to support economic recovery and rapid reconstruction following the earthquake. In response to COVID-19, the Government implemented monetary, fiscal, and financial measures similar to those adopted by other economies. Albania also took measures to cushion higher transport and energy prices following the war in Ukraine.

4. During most of the review period, fiscal policy was overall neutral, but it became expansionary in 2020 as a response to the pandemic. Following the return to fiscal consolidation, the budget is expected to reach a primary balance again in 2023. Albania applies a free-floating exchange rate regime and the currency appreciated in nominal and real terms during the review period. Foreign reserves increased in all years except 2019, as the current account deficit was funded, *inter alia*, by workers' remittance, FDI inflows, and government borrowing. More than half of credits and deposits in the banking system continue to be issued in foreign currency.

5. Imports and exports doubled in value terms during the review period, and the European Union remained Albania's dominant trading partner. In 2022, imports and exports were dominated by mineral products (including electrical energy) and base metals, as well as machinery (imports) and textiles and footwear (exports). Roughly 20% of imports fall under the inward processing regime and a large and growing share are intermediate goods. More than half of total exports are classified as re-exports, indicating the active participation of companies in Albania in value chains. Services imports grew much more slowly than exports, driven by tourism, professional and management consulting services, certain manufacturing services, and road transport services.

6. Policies in Albania continue to be guided by the objective of becoming an EU member State, with a strong focus on judicial reform and ongoing efforts to approximate its legislation with the EU *acquis* in line with a regularly updated National Plan for European Integration. Efforts to restructure the judicial system and increase its independence and efficiency continued during the review period, and a new High Judicial Council, a High Prosecutorial Council, and the Justice Appointment Council started to operate in 2019. The re-vetting of officials in the Albanian judiciary also continued.

7. Trade and trade-related policies form an integral part of broader economic policies, aiming to attract foreign investment, foster economic growth, and generate employment. In addition to its efforts to join the European Union, Albania maintains four additional FTAs, among them a newly concluded agreement with the United Kingdom.

8. Albania remains committed to the open, non-discriminatory, and rules-based global multilateral trading system; contributes to discussions at the WTO; and participates in the four Joint Statement Initiatives (JSIs), *inter alia*. Under the JSI on services domestic regulation, Albania has requested the initiation of the certification procedure for its schedule of specific commitments. It accepted the Agreement on Trade Facilitation (TFA) in 2016 and the expansion of product coverage under the Information Technology Agreement in 2018. Negotiations to accede to the Agreement on Government Procurement, pending since 2007, are expected to resume shortly and Albania expects to deposit the instrument of acceptance of the Agreement on Fisheries Subsidies during 2023.

9. While Albania submitted many notifications to the WTO, at least 10 remained outstanding at the end of June 2023, and some relevant changes to laws and legislation had also yet to be notified. The most recent notification on agriculture domestic support is for calendar year 2017, and the

authorities are planning to request technical assistance from the Secretariat to help alleviate capacity constraints in particular relating to agriculture notifications.

10. The Business Development and Investment Strategy (BIDS) 2021-27 focuses on attracting investment, SMEs and innovation, and human capital development. During the review period, the Government undertook reforms to improve the investment and business environment. The authorities also intensified their efforts to formalize the economy, but despite some progress the informal economy remains large: it was estimated to account for around 30% of GDP in 2018 and 37% of employment in 2019.

11. Aimed at reducing investment-related risks, a Strategic Investment Law establishes specific procedures for domestic and foreign investors. With few exceptions, no restrictions on foreign ownership or control in domestic corporations are in place, and no prior authorization for FDI is required in principle. In 2017, a new Bankruptcy Law replaced a 2002 law.

12. Digitization is a cross-cutting policy priority. Information regarding permits and operating licences that businesses might require is generally provided online; companies have been able to apply for most licences and permits only via the e-Albania portal since 2020; and since May 2022, licences and permits have also been issued electronically, removing all physical interaction between businesses and regulators. Generally, the electronic provision and delivery of public services increased significantly during the review period, as services continue to be added to the e-Albania portal. According to the authorities, the 1,227 services offered electronically in 2023 via the portal account for about 95% of all services offered, and they are offered exclusively online.

13. Amid these positive developments, a number of challenges remain, affecting the business and investment environment. These include a lack of predictability regarding judicial outcomes, a shortage of workers with required skills, and the need to improve infrastructure. Aware of these challenges, the Government continues reform the judiciary and the Strategy against Corruption has been extended to 2023. The skills gap remains a major challenge and is particularly pronounced among younger workers, related to relatively high emigration rates.

14. E-commerce in Albania is growing fast and is seen as a key growth opportunity, but penetration still lags that of other economies in the region. Electronic signatures have full legal effect, consumer protection was reinforced during the review period, a legal framework for the protection of personal data is in place, small parcels arriving in Albania are not subject to import duties, and a simplified procedure for small non-commercial shipments is in place.

15. While some of its provisions had already applied since January 2015, Albania's new Customs Code fully entered into force in June 2017. Since May 2019, customs declarations must be filed online using an electronic signature. Customs uses a risk-based system embedded in ASYCUDA World, and the share of customs declarations classified in the green channel (no additional controls) increased from 4.0% to 19.7% between 2016 and 2022. A blue channel (post-clearance audit) was introduced in 2018 but only applied until 2022. Around 30% of consignments continued to be scanned at borders in 2022, regardless of their risk classification. Economic operators can apply for an advance decision regarding tariff classification or origin, but not customs valuation.

16. During the review period, available indicators pointed to improvements in trade facilitation, in particular regarding appeals, fees and charges, documents, procedures, and coordination at borders. More than 98% of Albania's commitments under the TFA had been implemented at the beginning of 2023, with the remaining commitments under Category C to be implemented by the end of 2024. A new Authorized Economic Operator (AEO) scheme has been operational since 2019 and the process of establishing mutual recognition of AEOs with the Central European Free Trade Agreement (CEFTA) is under way. Efforts to create a national single window system are ongoing.

17. All tariff lines in Albania's tariff schedule are bound. Applied tariff rates are on average 4.1%, significantly lower than the average bound rate, and remain around three times higher for agricultural goods compared to non-agricultural goods. Both changed little between 2015 and 2023. Albania applies no *non-ad valorem* tariffs and the tariff schedule consists of six rates ranging from zero to 15%, with around half of tariff lines duty free, and 16.8% of tariff lines having a nuisance tariff of 2%. It applies no MFN, but some preferential, tariff rate quotas, affecting certain agricultural goods. For 24 tariff lines, applied rates exceed bound rates, with around half of these having been

in the same situation at the time of the previous Review. Customs also levies "scanning fees" for each customs declaration, regardless of whether the consignments are actually scanned.

18. Licensing requirements remain in place for a number of products, in most cases with economic operators licensed to import such goods without each individual shipment requiring a licence. Some temporary export restrictions relating to certain drugs, medical supplies, and medical devices were in place between March 2020 and July 2021, while export licences for military goods remain in place.

19. Albania continues to implement a scheme of Technology and Economic Development Areas (TEDAs) although they remain in their infancy. Four TEDAs have been established and one has been operational since 2022. The Albanian Investment Development Agency (AIDA) also administered a number of support funds for SMEs and supports some products via the "Made in Albania" campaign, launched in July 2020. Certain economic sectors benefited from a reduced corporate income tax during the review period; some continue to benefit. A VAT reform implemented in 2021 limited the use of investments eligible to benefit from VAT exemptions. There were little changes to excise duties, with some rates indexed to past inflation in 2021.

20. The framework relating to standards and technical regulations remains largely unchanged from the previous Review. According to the authorities, 90% of Albanian standards are aligned with European standards, while all technical regulations are harmonized with the EU technical regulations, most of them based on the European "new approach" to administering technical regulations. Albania adopted a new law on organic production in 2016 and a Law on Metrology in 2020. Parts of the regulatory SPS framework were updated during the review period as the Food Law and the laws regarding animal and plant health were amended. Imports of animal products are only permitted from establishments and countries that are listed for export to the European Union unless there is a prior agreement in place. Veterinary medical products and plant protection products must be registered in Albania, which requires their prior registration for marketing in an EU member State.

21. The competition policy framework remains broadly unchanged. During the review period, the Competition Commission allowed 166 mergers and blocked none. The Competition Commission initiated 86 investigations and took 559 decisions, concentrated in the financial, mobile telecommunications, wholesale, and hydrocarbon sectors. In response to the war in Ukraine, the authorities established temporary rules for transparency and the price monitoring of oil, gas, and their by-products, as well as some basic food products. These are no longer applied.

22. State-owned enterprises (SOEs) continue to play an important role in parts of the economy, in particular in backbone services such as transport, telecommunications, and energy, but also in the provision of certain social services. SOEs benefit from direct transfers and indirect budget support including public guarantees, with such contingent liabilities accounted for in the public debt stock. No central institution overseeing the performance of all SOEs is in place; each Ministry is responsible for the SOEs it owns. There were some changes to ownership of SOEs during the review period, in particular related to unbundling in the energy sector. Albania maintains a partial list of SOEs online, which does not include employment or financial information.

23. Albania revised its legislative framework for government procurement during the review period and indicated it would reactivate its accession process to the WTO Agreement on Government Procurement. The new procurement law introduced significant changes, largely aligning the framework to the EU *acquis*, while a revision of the framework for concessions and PPP aimed to limit the use of unsolicited tenders. Government procurement spending in Albania increased from 7% of GDP in 2017 to 8.9% in 2021 but was significantly higher in 2020 in response to the 2019 earthquake and the COVID-19 pandemic. The share of procedures awarded without the publication of a public notice declined from 38.8% in 2015 to 3.3% in 2022, and their value from 12.1% to 0.7% as the use of the electronic procurement system became also mandatory for the negotiated procedure in 2018.

24. Regarding intellectual property, Albania revised the Law on Industrial Property and adopted a new Copyright Law in 2016, aiming to align its framework with seven of the relevant EU Directives. Amendments to the Law on Industrial Property introduced the concept of trade secrets, clarified the framework regarding well-known trademarks, and changed the application process for geographic indications.



25. Support to the agricultural and fisheries sector increased significantly during the review period, with domestic support measures under the National Agricultural Support Scheme (NASS) reaching ALL 5 billion in 2022. A primarily EU-funded scheme complements the NASS. A reform in 2021 introduced a reduced VAT rate of 10% applying to certain agricultural inputs instead of the previous VAT exemption applying to such inputs. The completion of effective farm register and land parcel registration systems remains pending. Foreigners cannot own more than 49% of fishing companies that have fishing rights, and fish catch permits are issued only to vessels flying the Albanian flag.

26. Albania is rich in mineral resources, and mining and quarrying remains a significant economic activity, although its share has been declining. The most important products in volume terms are limestone, crude oil, clay, chrome, copper, coal, and ferro-nickel. Albania is a net exporter of crude oil. The Trans Adriatic Pipeline (TAP) for gas started commercial operations in November 2020 and a new combined operator of the transmission and distribution of gas in Albania was certified in 2017 under the unbundling ownership model.

27. Albania is a significant producer of hydropower, accounting for nearly all of its energy production. The transmission and distribution networks have been unbundled, and the liberalization of the electricity market has been completed for nearly all consumers. SOEs continue to dominate generation (alongside private hydropower producers), transmission, and distribution. In volume terms, Albania was a net exporter of electricity in 2018 and 2021, although it remained a net importer in value terms in both years due to price effects, as Albania exports hydroelectricity at low prices in winter and imports electricity at high prices in summer.

28. Banking continues to be dominated by foreign banks. During the review period, Albania updated prudential regulations for the banking sector, transposing the (evolving) EU *acquis*, and adopted various Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) measures. During the COVID-19 pandemic, regulatory changes to alleviate its possible effects on financial institutions and borrowers were put in place. In May 2022, the Bank of Albania requested a formal equivalence process with the EU framework. The share of non-performing loans declined significantly.

29. The insurance sector consists of 12 companies and has been growing broadly in line with GDP. Changes regarding insurance against civil liability in respect of the use of motor vehicles were introduced in 2021. A new law on Collective Investment Undertakings was approved in 2020 and one for private pension funds has been drafted. A new privately owned securities exchange (ALSE) has been operational since 2018 with predominantly government securities traded there.

30. The telecommunications sector developed further during the review period. Prices have decreased and penetration rates for fixed broadband have more than doubled, while those for mobile broadband grew by a third. As a result of sector consolidation, only two mobile operators remain active. Regarding fixed interconnections, the regulator imposed remedies on operators with significant market power. While the most important frequency bands for 5G cellular networks have been included in the National Frequency Plan, these bands have not yet been tendered but expectations are that the 700 MHz band will be released within 2023. The postal market was fully liberalized in 2017. Albania regulates cross-border parcel delivery services.

31. In the area of transport, two scheduled air carriers emerged during the review period, serving more than 20 destinations, with 28 foreign airlines also serving Tirana. A second international airport became operational in 2021 with others being built. The concession agreement for Tirana airport was amended in 2021 and that for the second international airport concluded. Nearly all served destinations fall under the European Common Aviation Area Agreement. For maritime transport, cabotage remains reserved to national flag vessels but waivers can be granted. The risk classification of Albanian-flagged ships improved in the review period, reaching the category of medium risk in 2023. Rail freight traffic remained overall limited with some variation across time, and efforts to rehabilitate the Tirana-Durrës line are under way. A new Railway Code was adopted in 2016, and in 2021 the former railway monopoly was unbundled into four different companies. Albania has updated its licensing regime for international road freight and passenger transport.

32. The importance of tourism continues to increase, and in 2022 Albania recorded its strongest tourism season on record. A new national strategy for sustainable tourism development 2019-23 aims to move away from a beach-based mass market model towards one that is more diverse and sustainable, including archaeology and culture. Certain incentives or investment facilitation is available for the tourism sector in specific areas.

## 1 ECONOMIC ENVIRONMENT

### 1.1 Main features of the economy

1.1. Albania is a small upper-middle income economy in the Western Balkans, with the Adriatic and Ionian Seas to the west and mountains to the east. It is connected by highways to its four neighbours and its major port is located in Durrës, close to the capital, Tirana. The limited development and quality of transport infrastructure remains a challenge to economic growth even though it has been improving.<sup>1</sup>

1.2. Amid a declining and ageing population, Albania had a gross national income (GNI) per capita of USD 6,110 in 2021.<sup>2</sup> In 2021, 16% of the 2.8 million inhabitants were aged 65 and above, an increase from the 14% of the 2.9 million in 2016.<sup>3</sup> Urbanization also continues at a high rate, with 63% of the population living in urban areas, up from 58% in 2016.<sup>4</sup>

1.3. While services accounted for more than 50% of GDP in 2022, agriculture, forestry, and fisheries continued to account for a significant share with more than 20%, and roughly one third of all employment, down from more than 40% in 2016.<sup>5</sup> Within industry, manufacturing accounted for 7.5% of gross value added (GVA) in 2022, with mining and quarrying as well as electricity other important industrial activities. Albania continues to produce the majority of the electricity it consumes domestically using hydropower, and in 2018 and 2021 it became a net exporter of electricity in volume terms, but power production varies significantly with rainfall patterns (Section 4.2).<sup>6</sup>

1.4. The share of the informal economy remains significant, although it continues to decline. In 2018, the informal sector was estimated to account for roughly 30% of GDP<sup>7</sup>, and in 2019 37% of employment was informal.<sup>8</sup> Most firms are very small, with 1% of firms accounting for two thirds of employment and more than half of the value added.<sup>9</sup> Nearly 9.5% of GDP results from remittance inflows, a share significantly lower than the 11% in 2016 and even higher values prior to that.<sup>10</sup> This is broadly comparable to the share in other regional economies.

### 1.2 Recent economic developments

1.5. During the review period, economic performance was affected by the 2019 earthquake and the COVID-19 pandemic. While the economy contracted by 3.3% in real terms in 2020 (and recovered in 2021, growing by 8.9%), it overall expanded on average by 3.2% annually in real terms between 2015 and 2022, or nominally with an annual 5.8% using the compound annual growth rate (Table 1.1). The share of agriculture in total GVA declined from 22.5% to 21.3%, while the manufacturing, construction, and transport and hospitality sectors increased their share in total output, even though manufacturing (and industry more general) as well as the hospitality sector were particularly negatively affected during the COVID-19 pandemic. In 2022, Albania recorded its strongest tourism season on record.<sup>11</sup> The share of mining and quarrying, which includes oil

<sup>1</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>2</sup> World Bank Open Data, *GNI per capita, Atlas Method (Current US\$)*. Viewed at: <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>.

<sup>3</sup> World Bank Open Data, *Population, Total*. Viewed at: <https://data.worldbank.org/indicator/SP.POP.TOTL>; and *Population Ages 65 and Above (% of Total Population)*. Viewed at: <https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS>.

<sup>4</sup> World Bank Open Data, *Urban Population (% of Total Population)*. Viewed at: <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>.

<sup>5</sup> INSTAT, *Labour Force Survey*.

<sup>6</sup> IMF (2022), *Albania: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/362, Annex VI.

<sup>7</sup> Elgin, C., et al. (2021), *Understanding Informality*, CEPR Discussion Paper 16497, Centre for Economic Policy Research.

<sup>8</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>9</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>10</sup> World Bank Open Data, *Personal Remittances, Received (% of GDP)*. Viewed at: <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>.

<sup>11</sup> IMF Country Report No. 22/362.

production, declined from 3.7% in 2015 to 2.5% in 2021 (Section 4.2), and that of electricity from 3.7% to 1.9%, according to the authorities (no detailed data for 2022 were available).

**Table 1.1 Basic economic and social indicators, 2015-22**

	2015	2016	2017	2018	2019	2020	2021	2022
GDP at current market prices (ALL billion)	1,434	1,472	1,551	1,637	1,692	1,647	1,856	2,134
GDP at current market prices (EUR million)	10,264	10,720	11,559	12,828	13,754	13,311	15,157	17,948
GDP per capita (EUR at current prices)	3,557	3,728	4,018	4,469	4,805	4,677	5,390	6,499
Population (million)	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.8
<b>National accounts (% change at previous year constant prices, unless otherwise indicated)</b>								
Real GDP growth	2.2	3.3	3.8	4.0	2.1	-3.3	8.9	4.8
Final consumption	0.9	2.4	2.5	2.9	3.3	-2.8	5.1	5.4
Final consumption of the households	0.9	2.0	2.6	3.1	3.3	-3.3	4.7	7.2
Final consumption of general government	-1.1	4.7	3.2	0.7	2.9	1.5	7.8	-4.9
Gross fixed capital formation	3.5	2.4	6.0	2.3	-3.6	-1.4	19.2	6.5
Exports of goods and services (fob)	1.0	11.3	13.2	4.0	2.6	-27.9	52.0	7.5
Exports of goods	-17.1	-5.8	6.8	13.8	-8.5	-2.6	50.2	16.5
Exports of services	9.9	17.9	15.2	1.3	6.2	-34.6	52.7	4.2
Imports of goods and services (fob)	-2.9	6.9	8.4	2.4	2.3	-19.8	31.5	13.1
Imports of goods	-1.9	7.9	8.2	1.8	1.7	-6.4	29.0	8.6
Imports of services	-4.9	4.9	8.7	3.5	3.4	-45.2	39.3	26.7
<b>Structure of GVA by economic activity (% of GVA at current basic prices)<sup>a</sup></b>								
Agriculture, forestry and fishing	22.5	22.6	21.8	21.1	21.0	21.9	21.1	21.3
Industry <sup>b</sup>	14.6	14.0	12.8	14.1	13.8	12.8	12.9	13.4
of which: manufacturing industry	6.5	6.5	7.0	7.0	7.2	7.0	7.1	7.5
Construction	10.1	10.2	10.5	10.3	9.8	10.2	10.9	11.1
Trade; transport; accommodation and food service activities	17.8	18.2	18.5	18.8	19.3	18.5	18.9	20.3
Information and communication	3.4	3.5	3.5	3.3	3.4	3.5	3.5	3.4
Financial and insurance activities	3.1	2.8	2.9	2.6	2.5	2.4	2.4	2.3
Real estate activities	6.8	6.6	6.4	6.3	6.4	6.9	6.6	6.4
Professional, scientific, administrative and support service activities	6.3	6.6	7.2	7.4	7.7	7.3	7.1	6.8
Public administration, education, human health	12.6	12.5	13.4	13.1	13.4	14.0	14.1	12.7
Arts, entertainment and recreation activities and other services	2.7	3.0	3.0	3.1	2.7	2.6	2.6	2.3
<b>Other</b>								
CPI (% change, period average)	1.9	1.2	2.1	2.0	1.4	1.6	2.0	6.7
ALL/EUR (period average)	139.7	137.4	134.2	127.6	123.0	123.8	122.5	119.0
Real effective exchange rate (% change) <sup>c</sup>	..	..	..	..	3.6	1.2	0.8	..
Current account (% of GDP)	-8.6	-7.6	-7.5	-6.8	-7.9	-8.7	-7.7	-6.0
International reserve in months of imports of goods and services	7.6	7.2	6.7	7.0	6.5	9.6	8.8	6.9
Gross external debt position (% of GDP)	74.4	73.5	68.8	65.1	60.0	64.2	64.4	54.6
FDI inflows (% of GDP)	8.7	8.8	7.8	7.9	7.8	7.0	6.8	7.7
FDI stock (% of GDP)	48.5	53.0	55.9	58.1	58.0	63.7	63.0	63.2

.. Not available.

a Seasonally adjusted, except data in 2022 based on non-seasonally adjusted quarterly estimations.

b Referring to mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management; and remediation activities.

c Figures are sourced from IMF (2022), *Albania: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/362. Projection data on 2022 general government debt.

Note: GDP-related figures: semi-final for 2021, and preliminary for 2022.

Source: Institute of Statistics, *Statistical Database*. Viewed at: <https://www.instat.gov.al/en/>; Bank of Albania, *Statistics*. Viewed at: <https://www.bankofalbania.org/home/>; IMF Country Report No. 22/362.

1.6. Within the manufacturing sector (7.5% of GVA in 2022), textiles, apparel, and leather accounted for one third, growing in importance until 2018 and declining afterwards as, in particular, the number of enterprises declined. Rubber and plastics, as well as basic metal and fabricated metal, each account for 15% of manufacturing output. Among the latter, car parts manufacturing is an emerging sector, although no comprehensive consolidated data on its various components were available. Another fast-growing sector, growing with more than 25% in all but one year during the review period, is IT-related services, which in 2021 accounted for 1.2% of GVA. The IMF expects economic growth to slow to 2.2% in 2023 and recover to 3.3% in 2024.<sup>12</sup>

<sup>12</sup> IMF Country Report No. 22/362.

1.7. Labour force participation increased significantly from 68.7% in 2018 to 74.8% at the end of 2022 for the age group 15-64<sup>13</sup>, which is relatively high compared to that of neighbouring economies. Labour force participation for men in this age group was significantly higher at 80.7% compared to that for women (69.1%), but the difference was smaller compared to 2018 levels. At the end of 2022, the unemployment rate stood at 11%, lower than the 12.7% at the end of 2018, and nearly identical for women and men. It was twice as high for the younger population (ages 15 to 29).

1.8. A strong earthquake shook Albania in 2019, resulting in a number of deaths and significant economic damage estimated by a UN Post-Disaster Needs Assessment at ALL 121 billion (about EUR 1 billion), with the tourism sector particularly affected.<sup>14</sup> As a response, the Government took measures to support rapid reconstruction and adopted economic stimulus measures that aimed to support economic recovery at various levels of government and are funded via a Reconstruction Fund with a total volume of slightly more than ALL 90 billion between 2020 and 2023.

1.9. The authorities responded to the COVID-19 pandemic by introducing a state of emergency that lasted from March to June 2020 and took a number of measures similar to those adopted by other major economies, and in particular the European Union. Monetary easing and measures of regulatory forbearance were coupled with state aid schemes (grants as well as state guarantees) to businesses, support to vulnerable parts of the population and small businesses, the rescheduling of income tax payments for businesses of a certain size, and certain health and humanitarian measures. The Government also issued loan guarantees of ALL 26 billion. A first guarantee programme of ALL 11 billion was for loans that banks were extending to companies affected by the pandemic for salary payments, and it also included interest subsidies. The second guarantee programme covered loans for working capital and investments (with partial guarantees only and no interest rate subsidies). Ultimately, ALL 18.4 billion was used for working capital and investment loans, and ALL 5.3 billion for salary payments.

1.10. As a response to the war in Ukraine, the authorities established cash transfer schemes aimed at cushioning the effects of higher inflation, particularly higher transport and energy prices. They also issued partial (up to 60%) guarantees for bank loans to firms aiming to maintain food stockpiles.

### 1.3 Economic governance, policy direction, and reforms

1.11. Policies in Albania continue to be guided by the objective of becoming an EU member State (Section 2.2) with a strong focus on judicial reform, which is seen by both Albania and the European Union as a precondition to successful accession negotiations. Other important reforms were undertaken in the areas of customs and government procurement.

1.12. The National Strategy for Development and European Integration (NSDEI, SKZHIE III in Albanian) 2030 was approved in February 2023, replacing an earlier plan of the same name for the period 2016-20. The National Plan for European Integration 2023-25, informed by this Strategy and updated every year, outlines the approximation of legislation with the EU *acquis*. The new Strategy spells out policy priorities to foster development and support the integration with the European Union, building on the priorities outlined earlier. In particular, it stresses macroeconomic and financial stability, improved standards to protect citizens and allow for EU integration, and policies aiming to improve economic competitiveness. Other cross-cutting policy priorities include those spelled out in a strategy for digitization<sup>15</sup> and a gender equality strategy for 2021-30.<sup>16</sup>

### 1.4 Fiscal policy

1.13. Between 2016 and 2019, fiscal policy was neutral overall, as Albania achieved a primary surplus and the ratio of central government debt to GDP declined to 65.8%. Expansionary fiscal

<sup>13</sup> INSTAT, *Employment and Unemployment from LFS*.

<sup>14</sup> Government of Albania, et al. (2020), *Albania: Post-Disaster Needs Assessment*. Viewed at: [https://fpi.ec.europa.eu/system/files/2021-05/10\\_Albania%202020%20Post-Disaster%20Needs%20Assessment.pdf](https://fpi.ec.europa.eu/system/files/2021-05/10_Albania%202020%20Post-Disaster%20Needs%20Assessment.pdf).

<sup>15</sup> Cross-Sectoral Strategy Digital Agenda of Albania 2022-2026, adopted by Council of Ministers Decision No. 370/2022.

<sup>16</sup> Ministry of Health and Social Protection, *Albania National Strategy for Gender Equality 2021-30*. The strategy replaced an earlier strategy.

policy as a response to the COVID-19 pandemic resulted in significant budget deficits in 2020, 2021, and 2022. Debt as a share of GDP reached 74.5% at the end of 2021 before declining to 64.6% in 2022 (Table 1.2). Fiscal expansion in 2020 was the result of lower revenues (in nominal terms and as a share of GDP) driven by lower profit and personal income taxes, coupled with marginally higher expenditure in nominal terms (significantly higher as a share of the declining GDP), driven by a shift towards social insurance outlays and social transfers. It also resulted from higher nominal capital expenditures in response to the 2019 earthquake. Revenues as a share of GDP recovered to pre-pandemic levels in 2021 while expenditures remained higher than before the pandemic. Fiscal consolidation continued in 2022 as expenditures declined more than revenues. The budget expected to reach a primary balance again in 2023 (Table 1.2).<sup>17</sup>

**Table 1.2 Fiscal indicators, 2015-22**

(% of GDP)

	2015	2016	2017	2018	2019	2020	2021	2022
<b>General government finance</b>								
Total revenues, of which:	26.4	27.6	27.8	27.5	27.2	25.9	27.5	26.8
Grants	0.8	1.0	0.7	0.5	0.5	0.5	0.7	0.4
Tax revenues, of which:	23.9	25.1	25.7	25.6	25.2	24.2	25.6	25.4
Customs revenues	10.0	10.1	10.2	9.8	9.6	9.3	10.4	10.5
Tax office revenues	8.0	8.6	8.7	8.8	8.4	7.6	7.8	7.9
Non-tax revenues	1.8	1.5	1.3	1.4	1.5	1.2	1.2	1.0
Total expenditures, of which:	30.5	29.5	29.8	29.1	29.1	32.6	32.1	30.5
Current expenditures	24.5	25.0	24.7	24.3	24.6	25.6	24.8	23.4
Capital expenditures	4.4	4.0	4.4	4.8	4.4	5.2	5.3	5.3
Cash balance	-4.1	-1.8	-2.0	-1.6	-1.9	-6.7	-4.6	-3.7
General government debt	72.7	72.4	70.2	67.7	65.8	74.3	74.5	64.6

Source: Institute of Statistics, *Statistical Database*. Viewed at: <https://www.instat.gov.al/en/>; Bank of Albania, *Statistics*. Viewed at: <https://www.bankofalbania.org/home/>.

1.14. During the review period, the authorities continued to update the medium-term debt management strategies, with the most recent one adopted for 2022-26. The share of domestic debt among total debt declined to 50.8% at the end of 2021, from 52.7% in 2016, although it had stood at 53.7% in 2019 prior to the COVID-19 pandemic, with 50.2% of total debt issued in foreign currency. Interest rate cost declined generally, and a larger share of debt (80.3%) had fixed interest rates at the end of 2021 as compared to 2016 (71.4%).

## 1.5 Monetary policy

1.15. During the review period, nominal interest rates remained very low and broadly unchanged until the beginning of the COVID-19 pandemic, with the base rate being reduced by 50 basis points to 1% in 2018, leaving little room to reduce them further at the outbreak of the pandemic. In March 2020, the Bank of Albania (the Central Bank) further reduced rates and kept them low until it started a circle of monetary tightening in March 2022 in response to rising inflation, which increased from less than 2% for most of 2021 to 8% at the end of 2022 and beginning of 2023.<sup>18</sup> By the end of 2022, the base rate stood at 2.75% and increased to 3% in May 2023. At the beginning of August 2023, the overnight deposit rate stood at 2% as the Bank of Albania aims to achieve the targeted inflation rate of 3% by 2024. Based on the Bank's data-driven approach, further rate increases might therefore be needed. At significantly higher inflation rates, real interest rates are likely to be negative. Monetary policy instruments comprise open market operations, standing facilities, and minimum reserve ratios that differ by maturity, as well as by domestic and foreign liabilities. These have remained unchanged since 2018.

1.16. Between 2017 and 2022, the share of credits and deposits in the banking system issued in foreign currency remained high and broadly unchanged, with foreign-currency-denominated deposits, as well as loans, standing at around 55% of the total.<sup>19</sup> According to the IMF, the relatively high level of "Euroization" somewhat limits the effectiveness of monetary policy transmission, with

<sup>17</sup> IMF Country Report No. 22/362.

<sup>18</sup> Bank of Albania, *Core Inflation*. Viewed at: [https://www.bankofalbania.org/Monetary\\_Policy/Objective\\_and\\_strategy/Core\\_inflation\\_23085\\_1.html](https://www.bankofalbania.org/Monetary_Policy/Objective_and_strategy/Core_inflation_23085_1.html).

<sup>19</sup> IMF Country Report No. 22/362, Table 4a.

the authorities pointing out that European Central Bank (ECB) policies also affect monetary conditions in Albania.<sup>20</sup>

1.17. According to the Bank of Albania, the currency is under a free-floating exchange rate regime. During the review period, the lek appreciated in nominal and in real terms (12% between 2016 and 2021).<sup>21</sup> There are no restrictions on foreign exchange operations related to capital inflows or outflows in place.

## 1.6 Balance of payments

1.18. Albania's balance of payments was mostly positive between 2018 and 2022, with a deficit in 2019 resulting from a higher current account deficit and some portfolio investment outflows. A current account deficit of between 6.8% and 8.7% of GDP was composed of increasing net goods imports and net primary income outflows, partially compensated by net services exports (which strongly increased), workers' remittances, and other transfers. It was funded by a positive capital account, strong FDI inflows between 6.4% and 8% of GDP annually, as well as other (portfolio) capital inflows that include government borrowing. Foreign reserves increased in all years except 2019.<sup>22</sup>

## 1.7 Developments in trade and investment

### 1.7.1 Trends and patterns in merchandise and services trade

1.19. Overall, trade in goods and services was equivalent to 85.5% of GDP in 2022, a significant increase from the 71.8% it represented in 2015.<sup>23</sup> Total goods imports were valued at EUR 8 billion in 2022, while total goods exports were valued at EUR 4.1 billion. The trade deficit in goods is partially compensated by a trade surplus for services.

#### *Trade in goods and intermediate products*

1.20. Between 2015 and 2022, imports more than doubled, with the largest increases occurring in 2021 and 2022, mainly as a result of higher commodity prices.<sup>24</sup> In 2022, imports were dominated by mineral products (18.1%, including electrical energy, up from 11.1% in 2015), machinery (declining in share from 15.1% to 13.2%), and base metals (increasing in share from 10.0% to 12.0%) (Chart 1.1). In 2020, energy imports accounted for more than one third of gross available energy, and for slightly less than a quarter in 2021 (Section 4.2).<sup>25</sup> Data for 2022 were not available.

1.21. The European Union remains the main source of imports, with more than 50% originating there, a decline from more than 60% in 2015. Other European economies have partially replaced some of these imports, with the share of imports originating in Türkiye increasing from 8.0% to 12.1%, in Switzerland from 1.5% to 2.3%, and in Kosovo<sup>26</sup> from 1% to 1.7%. Imports from the Kingdom of Saudi Arabia increased from 0.1% to 3.6% of the total, driven by oil (Chart 1.2).

1.22. Goods exports also more than doubled between 2015 and 2022, with the bulk of the increase occurring in 2021 and 2022, also largely the result of higher commodity prices. Exports continue to consist primarily of mineral products, in particular mineral fuels whose composition shifted significantly towards electrical energy, base metals and articles thereof, and textiles and footwear (Chart 1.1 and Table A1.1).

<sup>20</sup> IMF Country Report No. 22/362.

<sup>21</sup> IMF Country Report No. 22/362.

<sup>22</sup> IMF Country Report No. 22/362.

<sup>23</sup> Institute of Statistics, *Statistical Database*. Viewed at: <https://www.instat.gov.al/en/>.

<sup>24</sup> World Bank (2023), *Western Balkans Regular Economic Report – Testing Resilience*, No. 23.

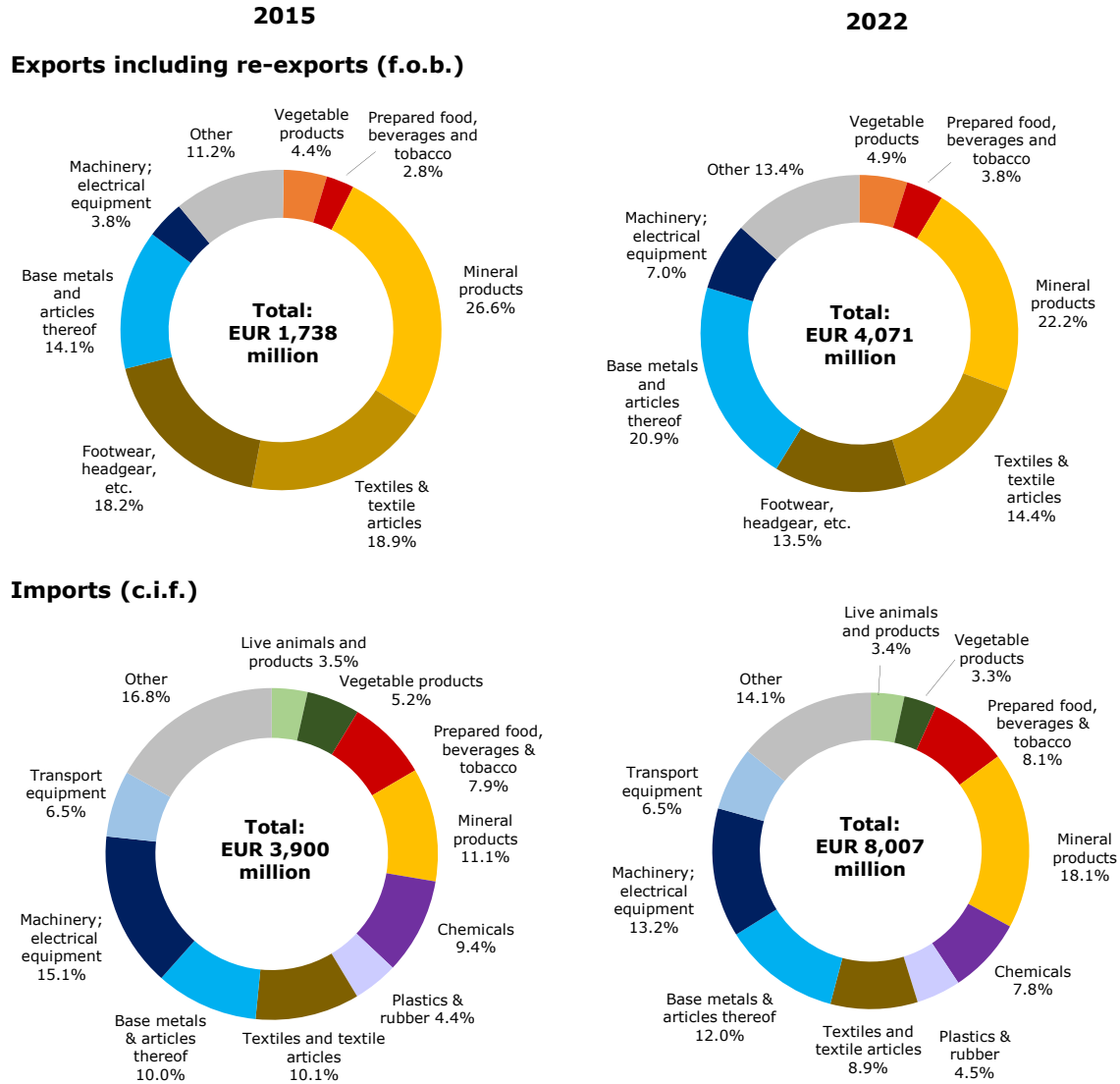
<sup>25</sup> Eurostat, *Energy Imports Dependency*. Viewed at: [https://ec.europa.eu/eurostat/databrowser/view/nrg\\_ind\\_id/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/nrg_ind_id/default/table?lang=en).

<sup>26</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).



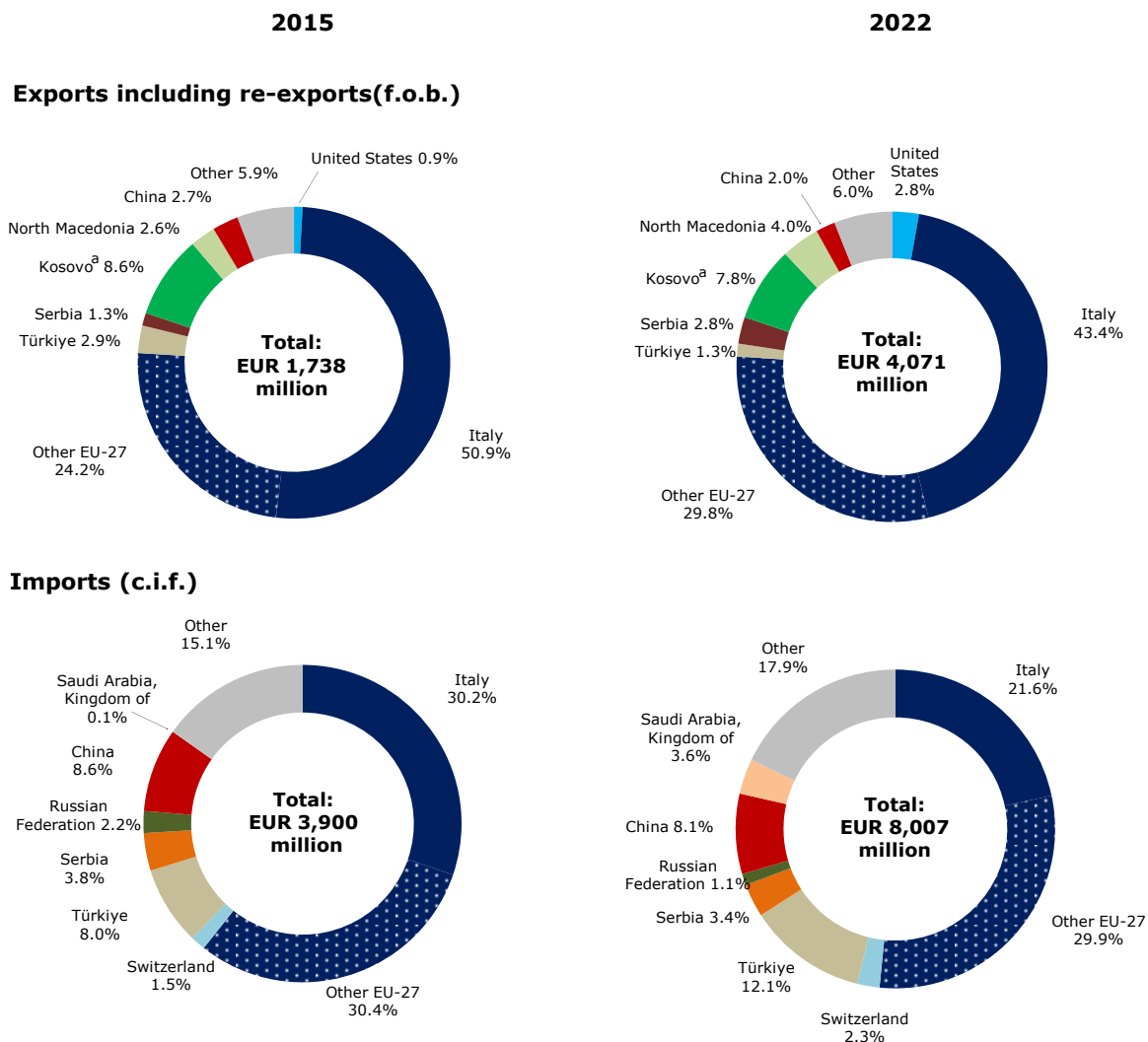
1.23. As for imports, the European Union remains the dominant export market. In 2022, 73.3% of all exports were destined for the European Union, in particular Italy. Other important destinations were Kosovo<sup>27</sup> (7.8%) and North Macedonia (4.0%) (Chart 1.2).

**Chart 1.1 Product composition of merchandise trade by main HS section, 2015 and 2022**



Source: WTO Secretariat calculations, based on the data provided by the authorities.

<sup>27</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

**Chart 1.2 Direction of merchandise trade, 2015 and 2022**

a References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Source: WTO Secretariat calculations, based on the data provided by the authorities.

1.24. Some firms in Albania appear to be integrated into regional value chains. Roughly 20% of imports fall under the inward processing regime (valued at EUR 1.6 billion in 2022), and more than half (54%) of total exports were classified as re-exports (valued at EUR 2.2 billion in 2022), indicating the participation of companies in value chains. Re-exports (near-exclusively exports imported under an inward processing scheme and (re-)exported after processing) were dominated by textile and textile articles as well as footwear (nearly all exports being re-exports), followed by base metals, and machinery and electrical equipment (in particular insulated cables or wires).

1.25. According to national data provided by the authorities<sup>28</sup>, 47% of non-fuel imports were classified as intermediate goods<sup>29</sup> in 2022, slightly more than the 45% in 2015, part of which entered under the inward processing regime (Chart 1.3). The share of intermediate goods in exports also

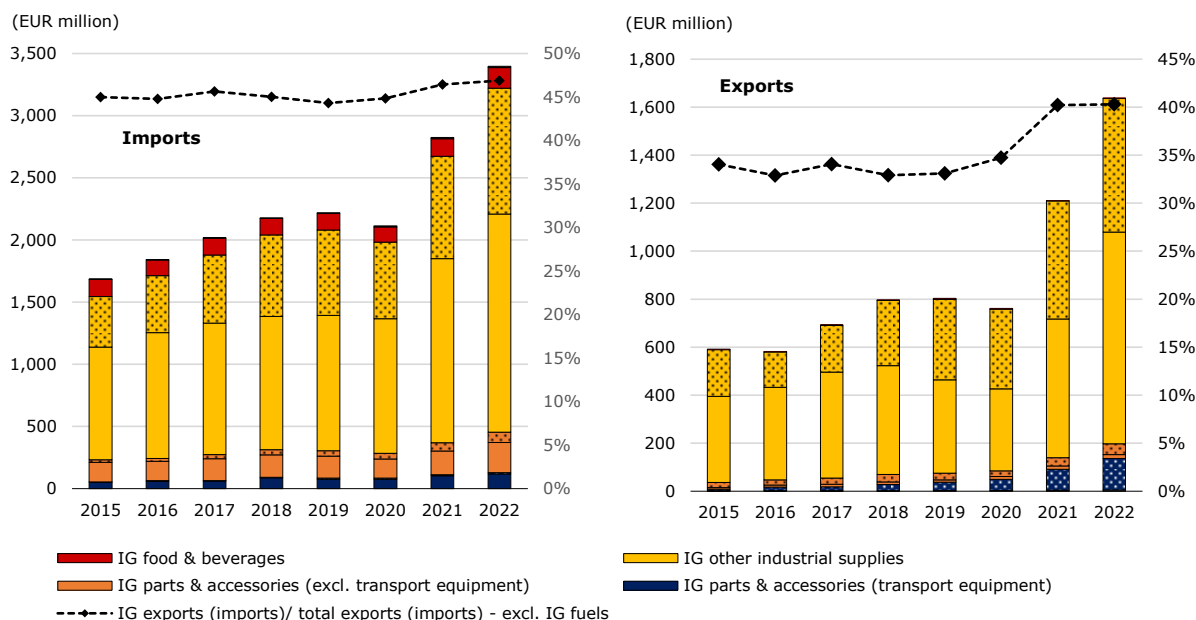
<sup>28</sup> A similar analysis using UN Comtrade data was not feasible as a significant and varying share of trade flows is classified under HS Chapter 99 (special purpose) at the time of writing.

<sup>29</sup> WTO Secretariat calculations, based on the classification of Broad Economic Categories, rev. 4, developed by the UN Statistical Commission.



increased, from less than 35% to more than 40% over the same period, with exports of parts and accessories of transport equipment increasing strongly from EUR 10 million in 2015 to EUR 140 million in 2022, primarily as re-exports.

**Chart 1.3 Trade in intermediate goods (IG), by main category (excluding fuels), 2015-22**



Note: Product classifications are based on BEC Rev. 4. Shaded bars refer to temporary import and re-export data.

Source: WTO Secretariat calculations, based on data provided by the authorities.

1.26. Trade in intermediate goods covers many types of products. Intermediate goods related to minerals and metals, chemicals and photographic supplies, machinery, textiles, wood and paper, and leather and rubber represent important intermediate inputs. Less than 15% of intermediate inputs in the product groups of chemicals and photographic supplies, textiles, leather and rubber, and non-electric machinery are exported as intermediate goods again, while there are significant exports of clothing and footwear. However, as participation in value chains can also include processing from one intermediate to another intermediate stage, it is challenging to draw additional conclusions on the exact participation of companies in value chains based on trade data alone.

### Trade in services

1.27. Albania's service trade surplus increased significantly as services imports grew much slower than services exports, driven by tourism (personal travel services), professional and management consulting services (other business services, in particular until 2021), manufacturing services on physical inputs owned by others, and road transport services (Table 1.3).

1.28. Albania continues to import nearly 50% of its services from the European Union, which is also the destination of 56% of Albania's services exports, both significantly lower compared to 2017. Other important Members of origin are Türkiye, the United Kingdom, and the United Arab Emirates, while 19% of services exports are destined for Kosovo.<sup>30</sup>

**Table 1.3 Trade in services by sector, 2015-22**

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total imports (EUR million)</b>	<b>1,503</b>	<b>1,599</b>	<b>1,774</b>	<b>1,962</b>	<b>2,141</b>	<b>1,175</b>	<b>1,690</b>	<b>2,400</b>

<sup>30</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

	2015	2016	2017	2018	2019	2020	2021	2022
<b>(% of total services imports)</b>								
Manufacturing services on physical inputs owned by others	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.5
Maintenance and repair services n.i.e.	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transport	11.5	13.2	11.1	10.9	10.5	15.3	13.5	12.6
Sea transport	3.3	4.4	4.7	4.2	3.2	5.4	5.5	5.3
Air transport	4.6	4.4	2.1	1.8	2.0	2.5	1.8	2.2
Other modes of transport	3.5	4.3	4.2	4.7	5.2	7.1	6.0	5.0
Postal and courier services	0.1	0.1	0.1	0.2	0.1	0.3	0.2	0.1
Travel	74.2	71.3	71.1	72.7	73.9	56.8	63.4	73.8
Business	19.0	17.9	17.1	16.7	16.6	17.5	21.2	22.8
Personal	55.2	53.4	54.0	56.0	57.4	39.3	42.1	51.0
Construction	0.2	0.1	0.1	0.0	0.1	0.4	4.0	0.2
Insurance and pension services	1.6	1.8	2.0	1.2	2.0	2.0	2.5	2.5
Financial services	1.5	0.4	0.4	1.4	0.3	1.1	0.9	0.8
Charges for the use of intellectual property n.i.e.	1.5	1.3	0.7	1.1	1.5	2.9	1.7	1.3
Telecommunications, computer, and information services	3.6	3.7	3.7	3.1	3.5	5.6	3.7	2.5
Telecommunications services	2.9	3.1	2.2	1.6	1.3	2.2	1.3	1.1
Computer services	0.7	0.5	1.4	1.4	2.0	3.2	2.3	1.4
Information services	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.0
Other business services	2.8	3.3	4.2	3.9	3.9	8.4	5.8	4.0
Research and development services	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.2
Professional and management consulting services	0.7	1.1	3.4	3.1	3.3	7.3	5.4	3.4
Technical, trade-related, and other business services	2.1	2.1	0.7	0.7	0.5	1.0	0.3	0.4
Personal, cultural, and recreational services	1.4	1.3	0.8	0.3	0.5	0.6	0.3	0.4
Audiovisual and related services	0.1	0.2	0.6	0.2	0.2	0.1	0.1	0.2
Other personal, cultural, and recreational services	1.2	1.1	0.2	0.1	0.2	0.5	0.2	0.2
Government goods and services n.i.e.	1.4	3.4	5.8	5.0	3.9	6.6	4.0	1.8
<b>Total exports (EUR million)</b>	<b>2,028</b>	<b>2,396</b>	<b>2,856</b>	<b>3,073</b>	<b>3,405</b>	<b>2,226</b>	<b>3,486</b>	<b>4,801</b>
<b>(% of total services exports)</b>								
Manufacturing services on physical inputs owned by others	11.9	12.4	11.7	13.6	13.3	19.7	14.5	13.5
Maintenance and repair services n.i.e.	0.4	0.8	0.2	0.2	0.2	0.3	0.2	0.2
Transport	7.8	7.6	8.3	8.4	7.2	8.0	9.5	10.6
Sea transport	5.0	4.8	4.1	3.5	0.4	0.2	0.8	1.4
Air transport	1.6	1.8	2.4	2.8	2.7	3.1	1.6	2.3
Other modes of transport	1.1	1.0	1.7	2.1	3.9	4.4	6.8	6.7
Postal and courier services	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.2
Travel	66.7	63.9	59.9	60.4	61.2	44.4	55.1	59.1
Business	15.1	13.2	11.6	9.7	9.2	5.8	1.3	1.5
Personal	51.6	50.7	48.3	50.6	52.0	38.7	53.9	57.6
Construction	0.2	0.3	0.3	0.1	0.2	0.3	0.3	0.6
Insurance and pension services	0.2	0.3	0.2	0.2	0.4	0.2	0.2	0.5
Financial services	0.1	0.1	0.0	0.2	0.1	0.5	0.2	0.3
Charges for the use of intellectual property n.i.e.	0.1	0.1	0.3	0.4	0.5	0.6	0.5	0.3
Telecommunications, computer, and information services	5.0	4.7	3.0	2.2	2.8	3.2	2.8	3.2
Telecommunications services	4.5	4.5	2.1	0.9	1.4	0.8	0.4	0.3
Computer services	0.5	0.2	0.7	1.2	1.4	2.3	2.4	2.9
Information services	0.0	0.0	0.2	0.1	0.1	0.1	0.0	0.0
Other business services	5.1	7.6	13.8	12.5	12.2	18.7	14.5	10.3
Research and development services	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional and management consulting services	2.4	5.6	12.6	11.4	10.5	17.4	13.3	9.0
Technical, trade-related, and other business services	2.6	2.0	1.2	1.0	1.7	1.3	1.2	1.3
Personal, cultural, and recreational services	0.7	0.7	0.6	0.4	0.4	0.7	0.6	0.8
Audiovisual and related services	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2
Other personal, cultural, and recreational services	0.6	0.6	0.3	0.1	0.2	0.5	0.4	0.6

	2015	2016	2017	2018	2019	2020	2021	2022
Government goods and services n.i.e.	1.9	1.5	1.5	1.3	1.7	3.3	1.6	1.1

Note Where percentages do not add up to 100%, this is due to rounding.

Source: WTO Secretariat calculations, based on WTO STATS. Viewed at: <https://stats.wto.org/>; Bank of Albania, *Main Data for Balance of Payments*. Viewed at: [https://www.bankofalbania.org/Statistics/External\\_sector\\_statistics/Balance\\_of\\_Payments/Main\\_data\\_for\\_Balance\\_of\\_Payments.html](https://www.bankofalbania.org/Statistics/External_sector_statistics/Balance_of_Payments/Main_data_for_Balance_of_Payments.html); and information provided by the authorities.

### 1.7.2 Trends and patterns in FDI

1.29. The total FDI stock in Albania more than doubled during the review period in nominal EUR terms, with the European Union accounting for the majority of FDI, although its share in the total continuously declined to 54% from the nearly two thirds it accounted for in 2015, and the importance of various EU member States in the total changed. Switzerland emerged as a major investor, accounting for 17% of the total stock, significantly more than the 2% it held in 2015 and largely related to investments in the Trans-Adriatic pipeline, while the sale of Greek telecom operators and banks to other investors reduced the footprint of Greek FDI (Table 1.4). Nearly one third of FDI went to the electricity sector, followed by mining and quarrying (15% of the FDI stock), financial and insurance activities (12%), information and communication (11%), and real estate (10%). In terms of net flows between 2015 and 2022, the electricity sector accounted for 37% (including investments in the Trans-Adriatic pipeline), mining and quarrying for 17%, and real estate for 15%.<sup>31</sup>

**Table 1.4 FDI stock by major partner in Albania, 2015-22**

(EUR million)

	2015	2016	2017	2018	2019	2020	2021	2022	Share (% of total) in 2022	Growth rate (2015- 22)
<b>FDI stock in Albania</b>	<b>4,981.7</b>	<b>5,677.3</b>	<b>6,456.1</b>	<b>7,455.2</b>	<b>7,974.1</b>	<b>8,482.0</b>	<b>9,543.7</b>	<b>11,338.8</b>	100.0	12.5
EU-27, of which:	3,265.5	3,319.7	3,606.7	3,987.4	4,262.9	4,565.1	5,155.6	6,170.1	54.4	9.5
Netherlands	702.8	718.0	826.8	1,017.0	1,209.3	1,383.8	1,558.2	1,866.2	16.5	15.0
Italy	547.5	604.4	610.1	690.9	753.2	866.2	1,014.1	1,201.8	10.6	11.9
Bulgaria	14.7	18.1	22.3	25.2	478.1	456.8	682.3	715.8	6.3	74.2
Austria	386.9	359.6	447.5	516.7	549.7	597.7	631.5	709.7	6.3	9.1
France	75.5	88.1	178.1	306.6	307.4	297.0	374.8	445.1	3.9	28.8
Germany	137.2	122.7	111.5	126.7	133.2	148.6	208.0	311.4	2.7	12.4
Hungary	0.1	0.4	0.6	3.3	85.5	91.3	114.3	294.6	2.6	236.7
Cyprus	140.3	142.1	144.6	165.1	199.9	182.8	200.9	234.0	2.1	7.6
Greece	1,204.8	1,232.6	1,216.8	1,071.6	474.2	460.9	257.2	211.6	1.9	-22.0
Switzerland	120.6	550.1	893.7	1,315.5	1,492.1	1,665.9	1,760.2	1,890.8	16.7	48.2
Canada	691.5	739.5	883.8	1,000.6	1,114.9	1,118.6	1,204.6	1,450.2	12.8	11.2
Türkiye	411.0	512.9	501.3	604.7	596.2	633.7	721.1	843.6	7.4	10.8
United States	94.5	80.8	79.1	69.4	81.8	88.8	160.9	220.5	1.9	12.9
Kosovo <sup>a</sup>	28.9	41.6	45.5	73.4	85.7	99.6	138.9	212.4	1.9	33.0
United Kingdom	23.8	38.4	51.2	61.5	76.3	80.0	97.1	115.8	1.0	25.4
Lebanese Republic	58.7	58.4	59.3	64.6	63.7	68.9	84.2	91.8	0.8	6.6
North Macedonia	36.0	40.9	40.6	31.4	37.2	41.8	62.1	76.0	0.7	11.3

a References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Source: Bank of Albania, *External Sector Statistics*. Viewed at: [https://www.bankofalbania.org/Statistics/External\\_sector\\_statistics/](https://www.bankofalbania.org/Statistics/External_sector_statistics/).

<sup>31</sup> Bank of Albania, *External Sector Statistics*. Viewed at: [https://www.bankofalbania.org/Statistics/External\\_sector\\_statistics/](https://www.bankofalbania.org/Statistics/External_sector_statistics/).

## 2 TRADE AND INVESTMENT REGIMES

### 2.1 General framework

2.1. According to its Constitution, Albania is a parliamentary republic. The State is headed by a President with largely ceremonial responsibilities, elected by the National Assembly. The Assembly is constituted of 140 members elected by general election for four-year terms, using a system of proportional representation. The President appoints the Prime Minister based on a proposal of the National Assembly.

2.2. The executive rests with the Council of Ministers, consisting of the Prime Minister, a Deputy Prime Minister, and Ministers. The Council of Ministers exercises every state function that has not been given to the bodies of other state or local government authorities (Article 95.2 of the Constitution).

2.3. No changes have been made since the previous Review regarding the functioning of the Constitutional Court or the hierarchy of legal instruments, which remains as follows: (i) the Constitution; (ii) ratified international agreements; and (iii) domestic laws and legal acts issued by the Council of Ministers. Draft laws approved by the National Assembly have to be promulgated by the President, who has the right to send them back for review to the Assembly. Laws enter into force 15 days after their publication in the Official Gazette. The President has authority to sign international agreements, most of which must be ratified by the Assembly through a simple majority vote.

2.4. All legal instruments are published in official sources, albeit only in Albanian. Current and past consolidated versions of legal texts are accessible without charge on the website of the Official Gazette (Box 2.1).

#### Box 2.1 How to access legislation

For information about Albanian legal instruments, visit the website of the Official Gazette (<https://qbz.gov.al/>). Text of normative acts can be found searching by (i) type of document; (ii) the document number; and (iii) the year of publication. The Gazette also allows users to view older versions of acts and generally presents links to acts amending a specific act. Although available only in Albanian, the website can be easily browsed using translation tools embedded in most web browsers.

2.5. The judicial system consists of the High Court (Supreme Court), courts of appeal, and courts of first instance. Since 2012, administrative courts (and courts of appeal) have been in place, and special courts against corruption, part of a Specialized Structure for Anti-Corruption and Organized Crime (SPAK), have been fully operational since 2020 following the 2016 judicial reforms.<sup>1</sup> While the establishment of dedicated commercial courts has been discussed for many years, such courts do not yet exist, but district courts have had dedicated sections dealing with commercial courts since 2016.<sup>2</sup> The Constitutional Court settles constitutional disputes, which can be raised by a wide array of actors, and makes the final interpretation of the Constitution, with its decisions being final.<sup>3</sup>

2.6. Reforms, starting in 2014 and aiming to strengthen the judicial system, are seen as a key element for EU accession and are ongoing (Section 2.3.2). In 2016, as part of the judicial reform and other legislative changes such as the adoption of eight key laws, the Constitution was amended to restructure the judicial system and increase its independence and efficiency. The reforms, *inter alia*, modified the functioning of the Constitutional Court, the High Court, and the Prosecutor General to ensure their independence and integrity<sup>4</sup>, and they established new institutions for the

<sup>1</sup> European Commission (2020), *Albania 2020 Report*, SWD (2020) 354 final.

<sup>2</sup> Law No. 98/2016, Article 23; and Civil Procedure Code (Law No. 8116/1996), Articles 320 and 334-336.

<sup>3</sup> Constitution, Articles 124-134.

<sup>4</sup> Bakiasi, M. (2021), *Albanian Judiciary under Construction*, Europeum Policy Paper. Viewed at: <https://www.europeum.org/data/articles/albania-judiciarypp.pdf>.

self-governing of the judiciary, such as the High Judicial Council, a High Prosecutorial Council, and the Justice Appointment Council, which all started to operate in 2019.<sup>5</sup>

2.7. An important element of the reform also aimed at addressing perceived corruption and included a re-vetting of more than 800 officials in the Albanian judiciary based on an assessment of their professional skills, integrity, and assets created over the years of their careers in the justice system. At the end of June 2023, the process of vetting of 669 judges, prosecutors, and other subjects of vetting by the Independent Qualification Commission had been completed. According to the authorities, 233 of those persons were dismissed and another 97 had resigned during the process. When cases went into an appeals process, the large majority of initial rulings were maintained.

## 2.2 Trade policy formulation and objectives

2.8. Since 2017, the Ministry of Finance and Economy has formulated and implemented fiscal and economic policies, including those relating to trade, the WTO, standards, and intellectual property.<sup>6</sup> It also leads the institutional process of negotiating FTAs, while an independent Chief Negotiator leads the EU accession process. The Ministry of Finance and Economy implements these policies in collaboration with other Ministries and agencies, including the Ministry of Agriculture, the National Food Authority, and Customs.

2.9. In Albania, trade and trade-related policies form an integral part of broader economic policies aiming to attract foreign investment, foster economic growth, and generate employment. As an overarching framework, the National Strategy for Development and European Integration 2021-30 (SKZHIE III) was approved in February 2023.<sup>7</sup> The Strategy links efforts for socio-economic development with the major objective of EU accession. This objective continues to guide economic reforms as it has during the past decade, particularly as Albania started accession negotiations in 2022. It also informs the National Plan for European Integration, which outlines the approximation of legislation with the EU *acquis*, and which is being updated each year to act as a rolling plan (i.e. one that is updated and prolonged every year).

2.10. According to the Constitution, the preparation of laws can be initiated by the Council of Ministers, a member of the legislature, or by popular initiative of at least 20,000 voters. Only a limited system of Regulatory Impact Assessment (RIA) accompanying all draft laws is in place, focusing primarily on budgetary implications and containing an explanatory memorandum, but there is no requirement for more general economic RIA to be part of legislative proposals. During the review period, the processes for the preparation of RIAs have improved although the quality of analysis in RIAs remains to be rated relatively low.<sup>8</sup> RIAs are published alongside legal documents during public consultations and when final legal acts are published (on the website of the Parliament).

2.11. An Inter-Institutional Group for Trade Policy Coordination and Trade Facilitation (IGTPCTF, referred to as the National Committee for Trade Policy Coordination and Facilitation in the previous Review when it was still being set up) was established in 2016, tasked with coordinating trade policy making (including its alignment with the EU *acquis*) within the Government and with the business community. The IGTPCTF also functions as the National Trade Facilitation Committee under the WTO Agreement on Trade Facilitation, and since 2020 has also been tasked with covering trade in services.<sup>9</sup> It is chaired by the Ministry of Finance and Economy and composed of representatives from other line Ministries and agencies, including, *inter alia*, Customs, the National Food Authority, and business representatives. As described in the previous Review, a National Economic Council chaired by the Prime Minister continues to discuss cross-cutting economic reforms,

<sup>5</sup> European Commission (2019), *Albania 2019 Report*, SWD (2019) 215 final.

<sup>6</sup> Other functions of the Ministry of Economic Development, Tourism, Trade and Entrepreneurship responsible at the time of the previous Review were transferred to the Ministry of Tourism and the Environment (now the Ministry of Environment) as well as the Minister of State for the Protection of Entrepreneurship (now Minister of State for Entrepreneurs).

<sup>7</sup> Adopted by Council of Ministers Decision No. 88/2023. This plan replaced the National Strategy for Development and Integration II 2015-2020.

<sup>8</sup> SIGMA/OECD (2021), *Monitoring Report: The Principles of Public Administration: Albania*, p. 56. Viewed at: <https://www.sigmaweb.org/publications/Monitoring-Report-2021-Albania.pdf>.

<sup>9</sup> Prime Minister Order No. 104/2020. Viewed at: <http://tregtia.gov.al/images/pdf/3.1-urdher-km.pdf>. The order explicitly mentions the relevant Central European Free Trade Agreement (CEFTA) protocol, but according to the authorities, the IGTPCTF also discusses trade in services more generally.

while the Investment Council has promoted public-private dialogue on initiatives relating to the investment climate in broad terms since 2015.<sup>10</sup>

2.12. During the process of drafting strategies or laws, authorities are required to publish drafts, ensure interested parties can provide comments, and review these comments. Final draft laws must include a summary of the comments provided and how they were reflected.<sup>11</sup> Since 2016, consultation processes have been undertaken electronically using the Electronic Register for Public Notices and Consultations<sup>12</sup>, accessible via the e-Albania portal, but can also include a physical meeting.

2.13. Coordinated by the IGTPCTF, a first Action Plan on Trade Facilitation 2017-20 guided policy making during the review period and led to some of the reforms described in other parts of the report (Section 3.1.1). Subsequently, a new National Plan for Coordination and Facilitation of Trade Policy 2021-23 was adopted, which includes a number of specific measures, including some from the previous plan that remained pending.<sup>13</sup> According to the authorities, the plan is aligned with an Action Plan for the Establishment of the Common Regional Market of the Western Balkans. Under this initiative, the six Central European Free Trade Agreement (CEFTA) members of the Western Balkans in 2020 agreed to establish a Common Regional Market as a step towards the European Single Market, aligning rules and standards to those of the European Union.<sup>14</sup> The Business Development and Investment Strategy 2021-27 also affects trade-related policies, focusing on attracting FDI, SME development, and human resource development (Section 2.4). Based on the Strategy, the Ministry of Finance and Economy is drafting Export Promotion and Internationalization Guidelines for 2023-27, focusing on SMEs, as well as an Export Strategy.

## 2.3 Trade agreements and arrangements

### 2.3.1 WTO

2.14. Albania has been a WTO Member since 8 September 2000 and grants at least MFN treatment to all of its trading partners. It is a party to the Information Technology Agreement (accepting the expansion of product coverage in 2018) and the Trade Facilitation Agreement (accepted on 10 May 2016), while the negotiations to accede to the Agreement on Government Procurement, pending since 2007, are expected to resume shortly (Section 3.3.6). Albania accepted the Protocol amending the TRIPS Agreement on 28 January 2009.

2.15. According to the authorities, Albania remains committed to the open, non-discriminatory, and rules-based global multilateral trading system, acknowledging the central role the WTO plays in this regard. Albania contributes to the discussions at the WTO and co-sponsored a number of proposals and initiatives. It participates in the discussions of the four Joint Statement Initiatives (JSIs) on electronic commerce, investment facilitation, MSMEs, and services domestic regulation. Under the latter JSI, Albania has requested the initiation of the certification procedure for its schedule of specific commitments.<sup>15</sup> Albania has joined the initiatives on trade and environmental sustainability, trade and health, and plastics pollution and environmentally sustainable plastics trade. It endorsed the Buenos Aires Declaration on Trade and Women's Economic Empowerment and is a member of the informal working group on gender. Albania expects to deposit the instrument of acceptance of the Agreement on Fisheries Subsidies during 2023 and supports WTO reform, identifying the re-establishment of the two-tier WTO dispute settlement system as a priority.

2.16. Between January 2016 and the end of August 2023, Albania submitted 114 notifications to the WTO, primarily regarding agriculture, SPS, and TBT, including 1 COVID-19-related notification.

<sup>10</sup> Investment Council. Viewed at: <https://www.investment.com.al/>; and WTO document WT/TPR/S/337/Rev.1, 1 August 2016, Section 2.1.2.

<sup>11</sup> Law No. 146/2014.

<sup>12</sup> Electronic Register for Public Notices and Consultations. Viewed at: <https://konsultimipublik.gov.al/>.

<sup>13</sup> IGTPCTF Decision No. 50/2021. Viewed at: <http://tregtia.gov.al/images/pdf/2.-Plani-Kombetar-i-Koordinimit-te-Politikave-Tregtare-dhe-Lehtesimin-e-Tregtise.pdf>.

<sup>14</sup> The Common Regional Market would cover free movement of goods, services, people, and capital, and represent a regional digital area, an investment area, and an industrial and innovation area, with implementation of the action plan supported by the CEFTA Secretariat and Regional Cooperation Council. Regional Cooperation Council, *Common Regional Market*. Viewed at: <https://www.rcc.int/pages/143/common-regional-market>.

<sup>15</sup> WTO document S/C/W/417, 20 December 2022; and the adoption of Law No. 91/2022.



Nevertheless, at the end of June 2023, at least 10 notifications remained outstanding, primarily in the areas of domestic support in agriculture, but also regarding quantitative restrictions in place for 2022-24 (Table A2.1). As concerns notification requirements relating to agriculture, the authorities expect to request technical assistance from the Secretariat to help alleviate capacity constraints. Albania has also regularly submitted tariff data to the WTO Integrated Database (IDB).

2.17. Since its accession to the WTO, Albania has not participated in any trade disputes as complainant, respondent, or third party.

### 2.3.2 Regional and preferential agreements

2.18. During the review period, Albania signed 1 additional FTA, bringing the total number of agreements to 5, while continuing to cover 39 partners. The agreements in force are the CEFTA<sup>16</sup>, the Albania-EFTA FTA, an FTA with Türkiye, and the Albania-EU Stabilisation and Association Agreement (SAA). A new FTA between Albania and the United Kingdom was signed on 5 February 2021 and entered into force on 3 May 2021 to continue the trade relationship formerly covered under the Albania-EU SAA.<sup>17</sup>

#### *Relationship with the European Union*

2.19. Albania has had the status of EU candidate country since 2014, and in March 2020, the European Union agreed to open accession negotiations. In July 2022, Albania and the European Union held their first "intergovernmental conference", with the screening, a detailed examination of the alignment of Albania's laws with the EU *acquis*, under way.<sup>18</sup> Once Albania meets certain initial criteria (so-called opening benchmarks), negotiations using the revised EU accession framework are expected to start.

2.20. Under the revised accession framework, the negotiations cluster covering fundamental issues such as those relating to the judiciary and fundamental rights, justice, or financial control will be central to determining overall progress in the negotiations, while corruption-related issues will be mainstreamed throughout.<sup>19</sup> According to the authorities, reforms in these areas will therefore be undertaken with priority. Under the Albania-EU SAA, regular Albania-EU SAA Council meetings, as well as meetings of the other joint institutions established under the SAA, continue.

### 2.3.3 Other agreements and arrangements

2.21. Albania is eligible for trade preferences under the Generalized System of Preferences (GSP) of Australia, Japan, New Zealand, and the United States, and was eligible for such preferences by the Eurasian Economic Union until 2021.<sup>20</sup> Albania also benefits from the European Union's autonomous trade preferences for the Western Balkans for products not fully liberalized under the Albania-EU SAA. They have been extended to 2025.<sup>21</sup> Albania does not grant GSP treatment to any countries.

2.22. In addition, Albania signed four new economic and technical cooperation agreements or memoranda during the review period.

## 2.4 Investment regime

2.23. The Ministry of Finance and Economy designs policies affecting the investment and business environment, with a large number of line Ministries also involved in the regulation of specific economic activities. Activities were most notably guided by the Business Development and

<sup>16</sup> During the review period, additional protocols on trade in goods and services entered into force and the six CEFTA members of the Western Balkans agreed to establish a Common Regional Market.

<sup>17</sup> WTO document [WT/REG454/N/1](#), [S/C/N/1055](#), 4 May 2021.

<sup>18</sup> According to the Conference, Albania has fully aligned with the EU Common Foreign and Security Policy decisions and declarations.

<sup>19</sup> Commission Communication COM(2020)57, *Enhancing the Accession Process – A Credible EU Perspective for the Western Balkans*.

<sup>20</sup> Preferences applied since October 2016 (also those previously granted by the Russian Federation) and were revoked from October 2021 in the context of a broader revision of the scheme.

<sup>21</sup> WTO document [WT/TPR/S/442](#), 11 April 2023.

Investment Strategy (BIDS) 2014-20, which was replaced by a new strategy for 2021-27 in 2021.<sup>22</sup> The Albanian Investment Development Agency (AIDA) is the official investment agency in Albania (Section 3.3.1), also providing aftercare services to investors.

2.24. The new strategy focuses on three main objectives, namely (i) attracting investment; (ii) SME development, entrepreneurship, and innovation; and (iii) human capital development, addressing some of the key concerns expressed by the private sector in recent assessments (see below). The strategy for 2021-27 builds on the previous strategy, takes up some of the measures already included under it<sup>23</sup>, and contains measurable indicators to facilitate the evaluation of the strategy.

2.25. Attracting FDI and supporting economic growth remain key objectives of these policies, and during the review period, the Government undertook a number of reforms to improve the investment and business environment. A framework for special economic zones has been in place since 2007, and was revised in 2015 to name such zones Technology and Economic Development Areas (TEDAs). The first TEDA was established in 2015. TEDAs aim to attract FDI by creating predictable investment conditions (Section 3.3.1).

2.26. Since 2015, the authorities have also intensified their efforts to formalize the economy by incentivizing formalization (exempting small businesses from the profit tax (Section 3.3.1) and automating tax declarations), while increasing tax audits and other controls, coupled with increasing penalties. As a result, the registration of firms and share of formal employment increased, while tax revenues also increased. Still, the informal economy was estimated to account for around 30% of GDP (in 2018) and 37% of employment was informal in 2019 (Section 1.1).

#### 2.4.1 Regulatory framework

2.27. The regulatory environment for domestic and foreign investment is primarily spelled out in Law No. 9901/2008 on Entrepreneurs and Companies, while other laws also affect the overall investment and business environment. Law No. 7764/1993 on Foreign Investments establishes the framework for foreign investment. Until 2019, it contained a special state-protection regime which, as previously, was not used during this review period.

2.28. The Strategic Investment Law (Law No. 55/2015), described in the previous Review and not significantly amended during the review period<sup>24</sup>, establishes specific procedures for domestic and foreign investors to simplify administrative procedures and reduce certain investment-related risks. It aims at attracting investment in strategic sectors defined in the Law<sup>25</sup>, setting a minimum threshold for investments in the sectors to be considered strategic. A Strategic Investment Committee, headed by the Prime Minister, approves projects as strategic and monitors the implementation of the investment-facilitating measures under the Law. These facilitating measures include prioritizing, and treating in an accelerated manner, the issuance of relevant licences and permits, and the provision of services to investors through a single window. In addition, strategic investments can benefit from government investments in relevant auxiliary infrastructure such as roads, waterways, sewers, electricity and telecommunications, the use of lands or other real estate owned by the State, or provision of support for certain expropriations for public interest.<sup>26</sup> The deadline for applications under the Law has repeatedly been extended and currently is December 2023. According to the authorities, a new Investment Law to replace both the Law on Foreign Investments and the Strategic Investment Law, which includes provisions on domestic investment, is being drafted and is expected to be approved this year.

2.29. Generally, no restrictions on foreign ownership or control in domestic corporations are in place (except regarding road transport, broadcasting, and companies with fishing rights), and no prior

<sup>22</sup> Council of Ministers Decision No. 466/2021.

<sup>23</sup> The 2021-27 strategy points out that 19 measures of the previous strategy have been implemented, 19 partially implemented, and 7 have not been implemented (p. 24).

<sup>24</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016.

<sup>25</sup> As during the previous Review, the sectors remain energy and mining; transport, electronic communications infrastructure and urban waste; tourism; and agriculture. They also include investment in TEDAs and areas designated as specific development priority areas, with the Council of Ministers able to determine specific subsectors. No information was available whether such priority areas or specific subsectors have been designated.

<sup>26</sup> Law No. 55/2015, Articles 26-28.



authorization for FDI is required in principle. Some restrictions regarding the purchase of land remain in place as foreigners cannot purchase agricultural land unless they set up a company registered in Albania. They can lease such land for up to 99 years, however.<sup>27</sup>

2.30. According to Law No. 9901/2008, companies can be established as partnerships, limited partnerships, limited liability companies, or joint-stock companies. Companies, as well as individual entrepreneurs, must register with the National Business Center (NBC)<sup>28</sup>, under the Ministry of Finance and Economy, according to Law No. 9723/2007 (as amended). Since 2020, registration can be made only electronically via the e-Albania portal, with data in the publicly accessible company registry only stored in electronic format. Law No. 9901/2008 also allows for the establishment of branches and representative offices of foreign companies.

2.31. Law No. 10081/2009 spells out 49 activities requiring licences or permits, divided into 14 areas of economic activity. In total, there are 36 licences issued by the NBC, 69 licences and permits issued jointly by the NBC and a line Ministry, and 27 permits and licences issued exclusively by other regulators and not the NBC. Licensing and permitting requirements apply regardless of nationality. According to the BIDS 2021-27, a number of licences are being eliminated by amending relevant sector legislation; between 2016 and May 2023, 13 licences were removed.

2.32. On its website, the NBC provides a list of all existing permits and operating licences that businesses in various sectors might require to operate, and the list also provides additional detailed information regarding all of those the NBC is involved in issuing, although the authorities indicate that the website is being updated and might not always fully reflect most recent changes.<sup>29</sup> Companies have been able to apply for licences and permits issued by the NBC (or jointly with the NBC) only via the e-Albania portal since 2020, and information on all issued licences and permits is published on the NBC website. Since May 2022, licences and permits have also been issued electronically, removing all physical interaction between businesses and regulators, according to the authorities. All other business interactions with the NBC also have to be done via the e-Albania portal, with the NBC offering 183 services online relating to licences, as well as services related to the commercial register or the register of beneficial owners. Other licences or permits are issued by the relevant Ministries or agencies, which are also tasked with providing relevant information.

2.33. The electronic provision and delivery of public services increased significantly during the review period, as additional services continue to be added to the e-Albania portal, administered by the National Agency for Information Society. Between 2016 and 2022, 812 public services were added to the portal, and at the beginning of 2023, 82 state institutions offered 1,227 services electronically via the portal.<sup>30</sup> According to the authorities, these account for about 95% of all services offered, and they are offered exclusively online.

2.34. Companies are generally subject to corporate income tax of 15%, with smaller firms subject to lower rates, while a number of (temporary) changes to tax rates were implemented as a response to COVID-19 during the review period (Section 3.3.1). However, tax administration is frequently cited as a major challenge in undertaking business in Albania. According to Enterprise Survey data, companies need to make 35 tax payments per year, more than twice the average in the region.<sup>31</sup>

2.35. In 2017, a new Bankruptcy Law (No. 110/2016) replaced a 2002 law. It aimed to modernize and strengthen the insolvency framework by making it more efficient and transparent. For example, the Law introduced the concept of accelerated reorganization using hybrid procedures (combining out-of-court and court procedures). It does not apply to insurance societies, banks, pension funds, and other deposit-takers for which insolvency is regulated under a specific law (Section 4.3.1).

2.36. Other challenges affecting the business and investment environment include issues of corruption, a lack of predictability regarding judicial outcomes, workers' skills, and infrastructure. The provisions on domestic arbitration were repealed from the Civil Code in 2013, and a draft law

<sup>27</sup> Law No. 8337/1997, Article 4.

<sup>28</sup> National Business Center. Viewed at: <https://qkb.gov.al/>. The Center was established by Law No. 131/2015.

<sup>29</sup> NBC, *Information on Licenses and Permits*. Viewed at: <https://qkb.gov.al/informacion-mbi-proceduren/regjistri-i-licencave-autorizimeve-dhe-lejeve/informacion-mbi-licensat-autorizimet-dhe-lejet/>.

<sup>30</sup> E-Albania portal. Viewed at: <https://e-albania.al/>.

<sup>31</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

on arbitration is being discussed in Parliament.<sup>32</sup> According to the World Bank's latest Enterprise Survey data, 43% of firms cite corruption as a major obstacle<sup>33</sup>, while according to another World Bank survey, 30% of firms "have a negative perception of the efficiency and quality of the administrative services in courts".<sup>34</sup> Domestic and smaller firms seem to be more affected by corruption as such, compared to foreign firms, while the operations of the court system seem to particularly affect foreign firms. Both issues are intrinsically linked, making a clear separation of challenges difficult, as corruption is also a major contributor to the poor perception of the judicial system.<sup>35</sup> These challenges are also reflected in the findings of (i) the latest Global Competitiveness Index where Albania ranks 136 of 141 in terms of judicial independence and 85 of 141 regarding the incidence of corruption; (ii) the IMF<sup>36</sup>; and (iii) the Worldwide Governance Indicators, where Albania continues to rank in the bottom third of the distribution on the control of corruption and the bottom half of the distribution on the rule of law in 2021, despite improvements since 2011.<sup>37</sup>

2.37. The Government is aware of these challenges and continues to implement its comprehensive judicial reform programme in place as part of its EU accession efforts, most recently guided by the Intersectoral Justice Strategy 2021-25.<sup>38</sup> The Strategy against Corruption 2015-20 has been extended to 2023.<sup>39</sup> Following the establishment of an Inter-institutional Anti-corruption Task Force in 2018 and a Special Unit Against Corruption and Tax Evasion in 2020, both were integrated into a consolidated administrative investigation structure in 2021 under the Ministry of Justice. Efforts to increase the delivery of government services by electronic means form part of the anti-corruption initiatives. They are complemented with awareness-raising as well as investigations and criminal prosecutions, including of former high-ranking state officials, some of whom have been convicted.<sup>40</sup>

2.38. In addition, available workforce skills do not seem to respond to the requirements of many firms, making it challenging to find the right workers, especially for high-skilled occupations and for foreign-owned firms. This situation seems to have deteriorated between 2013 and 2019, and the skills gap seems to be particularly pronounced among younger workers, as also reflected in low Programme for International Student Assessment (PISA) scores, and related to relatively high emigration rates especially among higher-skilled persons.<sup>41</sup> While electricity supply and losses resulting from outages generally improved, nearly half of firms continued to use their own generators at times in 2019.

#### 2.4.2 International cooperation

2.39. Albania has concluded 45 bilateral investment treaties (BITs), 1 of which (with the United Arab Emirates) entered into force during the review period.<sup>42</sup> According to the authorities, a BIT with Kosovo<sup>43</sup> also entered into force in 2020. In addition, Albania's FTAs (except the one with the United Kingdom which has a BIT with Albania) also contain investment provisions, and Albania

<sup>32</sup> Parliament, *Draft Law on Arbitration in the Republic of Albania*.

<sup>33</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>34</sup> World Bank's Regional Justice Survey cited in World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*, p. 58.

<sup>35</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>36</sup> IMF (2022), *Albania: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/362.

<sup>37</sup> World Bank, *Worldwide Governance Indicators*. Viewed at: <https://info.worldbank.org/governance/wgi/>. "Control of corruption" measures "perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests". The "rule of law" captures "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence".

<sup>38</sup> Adopted by Council of Ministers Decision No. 823/2021. The draft strategy and its indicators can be viewed at: <https://konsultimipublik.gov.al/Konsultime/Detaje/357>.

<sup>39</sup> Ministry of Justice, *Intersectoral Strategy Against Corruption*. Viewed at: <https://www.drejtesia.gov.al/strategjia-ndersektorale-kunder-korrupsionit/>. The prolongation was adopted by Council of Ministers Decision No. 516/2020.

<sup>40</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

<sup>41</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*.

<sup>42</sup> UNCTAD, *International Investment Agreements Navigator*. Viewed at: <https://investmentpolicy.unctad.org/international-investment-agreements/countries/2/albania>. And information provided by the authorities.

<sup>43</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999). This BIT is not listed on the UNCTAD Navigator.

is party to the Energy Charter Treaty. Albania has also concluded 44 double taxation agreements, 3 of which (Kingdom of Saudi Arabia, Israel, and Finland<sup>44</sup>) have been concluded since 2016.<sup>45</sup>

2.40. Albania is a member of the Multilateral Investment Guarantee Agency, a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (UNCITRAL), is a participant in the European Convention on International Commercial Arbitration of 1961, and has ratified the ICSID (International Centre for Settlement of Investment Disputes) Convention. During the review period, Albania was a respondent in four investment disputes under the Energy Charter and BITs, three of which remain pending and one of which was discontinued.<sup>46</sup>

## 2.5 E-commerce

2.41. E-commerce is still an infant industry in Albania, but is growing fast. While 28% of consumers are estimated to have used e-commerce in 2017, this figure had increased to 38.4% in 2022, though it remained far below that of nearby Croatia (61.8%).<sup>47</sup> During the pandemic, 18.1% of Albanian firms reported having started or increased online business activities<sup>48</sup>, market revenues reached USD 417 million in 2022, and they are expected to continue growing at double digits. Local actors such as Bufalo, Celestino, Neptun, Care to Beauty, and Siren have also emerged.<sup>49</sup> A recent World Bank study indicates that e-commerce presents a key growth opportunity for Albania and outlines key policy actions to further develop e-commerce.<sup>50</sup>

2.42. The Government sees e-commerce as a sector benefiting from the June 2020 National Masterplan for the Sustainable Development of Digital Infrastructure for Broadband (Section 4.3.2) as well as the digital objectives and policy orientations of the SKZHIE III. An inter-institutional working group established in July 2022 by the Ministry of Finance and Economy, with the participation of the private sector, prepared a first draft of an e-commerce action plan.

2.43. During the period under review, Albania adopted several measures fostering e-commerce relating essentially to five areas: (i) electronic signature; (ii) consumer protection; (iii) data privacy; (iv) initiatives and import and export of small parcels and shipments; and (v) CEFTA e-commerce.

2.44. Electronic signature has had full legal effects, including probative force, in Albania since the adoption of Law No. 9880/2008 on Electronic Signature (amended by Law No. 122/2016). Law No. 107/2015 on Electronic Identification and Trusted Services (amended by Law No. 123/2016) defines the legal framework for the secure electronic identification, electronic seals, electronic transmission services, and website authentication, aiming at transposing the relevant EU regulation.<sup>51</sup> While the use of an electronic signature is mainly voluntary, all requests in the e-Albania portal (Section 2.4) can be completed only online without physical contact since May 2022, and the relevant documents are authenticated through electronic seals.

2.45. The National Agency for Information Society (NAIS) provides encryption facilities (so-called "public keys") to offer electronic signature and seal services for citizens, businesses, and public administration. The annual number of signatures generated for the private sector increased

<sup>44</sup> Ministry of Finance and Economy, *Albania-Finland, Agreement on the Elimination of Double Taxation in Relation to Income Tax and the Prevention and Avoidance of Tax Evasion*. Viewed at: <https://financa.gov.al/shqiperi-finlande-marreveshje-per-eliminimin-e-taksimit-te-dyfishte-ne-lidhje-me-tatimin-mbi-te-ardhurat-dhe-parandalimin-dhe-shmangien-e-evazionit-tatimor/>.

<sup>45</sup> A list of these agreements is published on the website of the Ministry of Finance and Economy, not reflecting the agreement with Finland yet. Viewed at: <https://www.tatime.gov.al/c/6/125/marreveshje-nderkombetare>.

<sup>46</sup> UNCTAD Investment Policy Hub, *Investment Dispute Settlement Navigator: Albania*. Viewed at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/country/2/albania/respondent>.

<sup>47</sup> World Bank (2022), "Helping Albania Seize the Digital Trade Opportunity". Viewed at: <https://blogs.worldbank.org/trade/helping-albania-seize-digital-trade-opportunity>.

<sup>48</sup> World Bank (2022), "Helping Albania Seize the Digital Trade Opportunity".

<sup>49</sup> Mordor Intelligence, *Albania E-Commerce Market Size & Share Analysis – Growth Trends & Forecasts (2023-2028)*. Viewed at: <https://www.mordorintelligence.com/industry-reports/albania-ecommerce-market>.

<sup>50</sup> World Bank (2020), *Albania E-Commerce Diagnostic – Leveraging the Digital Trade Opportunity*. Viewed at: <https://elibrary.worldbank.org/doi/abs/10.1596/35000>.

<sup>51</sup> Regulation No. 910/2014 on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and Repealing Directive 1999/93/EC.

significantly during the review period with more than 72,000 signatures issued in total (Table 2.1). Following the amendments by Law No. 122/2016, identifications and trusted services released by "Qualified Trust Services Providers" operating in EU member States and accredited by the relevant supervisory authority have the same legal validity as those operating in Albania.

**Table 2.1 Electronic signatures generated for the private sector, 2016-23**

Year	2016	2017	2018	2019	2020	2021	2022	2023 <sup>a</sup>	Total
For citizens/businesses	1,000	800	1,026	1,226	5,519	11,348	13,034	19,608	<b>53,561</b>
For customs agents	0	0	448	451	508	499	553	409	<b>2,868</b>
For medical prescriptions system e-RX	0	2,000	1,800	2,130	1,750	3,574	2,242	2,368	<b>15,864</b>

a Data from January to July 2023.

Source: Information provided by the authorities.

2.46. Consumer protection was reinforced during the period under review and aligned with the latest EU *acquis* by amending in 2018 Law No. 9902/2008 on Consumer Protection and by the Council of Ministers Decision No. 1089/2020, modernizing and updating alternative dispute settlement mechanisms for consumers. These texts are in line with Directive 2011/83/EU on Consumer Rights and Directive 2013/11/EU on Alternative Dispute Resolution.

2.47. The objective of the first text is to empower consumers by regulating the information they must receive on sales and services offered in the market, in business premises, off-premises, and in distance contracts. This explicitly includes online shopping. The objective of the second text is to increase the level of protection for consumers by ensuring that disputes between traders and consumers are handled by out-of-court structures with alternative dispute resolution procedures, and are impartial, transparent, effective, and fair. A General Department on Alternative Dispute Resolution of Consumers, under the Ministry of Finance and Economy, will be put in place in the course of 2023.

2.48. The legal framework for the protection of personal data consists of Law No. 9887/2008 on the Protection of Personal Data, as amended and its by-laws, which is fully aligned with the previous EU *acquis*, i.e. Directive 95/46/EC. The Commissioner for the Right to Information and Protection of Personal Data is the independent authority that supervises and monitors the protection of personal data and the right to information. According to the authorities, the Commission is working with the support of EU experts on modernized data protection legislation that will transpose the present EU *acquis*, the so-called General Data Protection Regulation (GDPR).<sup>52</sup>

2.49. Small parcels valued at less than EUR 22 (for online purchases) or EUR 45 (for small parcels for personal use) arriving in Albania are not subject to import duties, and a simplified procedure for small non-commercial shipments is in place (Section 3.1.1). Customs treats packages in line with the information accompanying the shipment.

2.50. Under the Action Plan for the Establishment of the Common Regional Market of the Western Balkans (Section 2.2), a sub-action plan regarding electronic commerce aims to establish (i) simplified and more efficient intra-CEFTA electronic commerce in line with EU standards; (ii) more efficient and cheaper customs clearance of parcels in CEFTA, generated by regional electronic commerce; and (iii) regional measures against geo-blocking to increase consumer choice and access to goods and services across the region. The CEFTA joint committee is discussing three draft decisions to achieve these goals.<sup>53</sup>

<sup>52</sup> Regulation (EU) 2016/679 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data.

<sup>53</sup> The decisions, *inter alia*, aim to create a harmonized legal framework of key rules and principles for the development of regional e-commerce, and laying down minimum requirements for harmonizing regulatory frameworks for parcel delivery services, including enhancing regulatory oversight and increasing transparency.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE

#### 3.1 Measures directly affecting imports

##### 3.1.1 Customs procedures, valuation, and requirements

3.1. Albania's new Customs Code (Law No. 102/2014) fully entered into force in June 2017, while some of its provisions (regarding Authorized Economic Operators (AEOs), customs simplifications, and exemptions) had already applied since January 2015, as outlined in the previous Review.<sup>1</sup> Implementing regulations for the Custom Code were approved in 2017 by Council of Ministers Decision No. 651. The authorities also indicate that they continued to update, improve, and simplify these customs rules, amending them in 2019 and 2020<sup>2</sup> and issuing a large number of instructions and manuals. According to an assessment by the European Union, the Customs Code is broadly aligned with the EU *acquis*.<sup>3</sup>

3.2. The General Directorate of Customs, under the Ministry of Finance and Economy, is responsible for implementing the Customs Code. Besides Customs, the National Food Authority, veterinary inspectors, and the border police are present at borders, and the Customs Code foresees collaboration among these agencies under the coordination of Customs (Article 48). An Integrated Border Management Strategy for 2021-27, prepared by the Ministry of Interior, aims to improve physical border infrastructure and cross-border cooperation at joint border crossings with neighbouring countries.<sup>4</sup>

3.3. Customs legislation is published on the Customs website, with secondary legislation published often only in Albanian and as PDFs, and the English version did not always seem fully up to date. The website also contains MFN and preferential tariffs for all products<sup>5</sup>, but it does not contain detailed information on other requirements by product.

3.4. Customs uses a risk-based system embedded in ASYCUDA World, classifying declarations into the four typical risk channels based on criteria such as the type of good, origin, value, or importer. The share of declarations classified into the red channel (documentary and physical checks) stood at 8.4% in 2022, lower than the 12.3% in 2016, as the share classified into the yellow channel (documentary check) also declined from 83.7% to 61.8%. Indicating falling compliance costs, the share of customs declarations classified in the green channel (no additional controls) increased from 4.0% to 19.7% over the same time, and those in the blue channel (post-clearance audit), newly introduced in 2018 and only applied until 2022, stood at 10.2% in 2022. However, around 30% of consignments continued to be scanned at borders in 2022, regardless of their risk classification.<sup>6</sup> There is no automated risk management system integrating the different border agencies in place, but according to the authorities, agencies exchange information at border crossing points. Albania does not make use of pre-shipment inspection services. Among other things, the IMF pointed to the potential benefits of improving risk-based enforcement.<sup>7</sup>

3.5. All goods arriving in Albania need to be accompanied by a summary declaration of entry prior to arrival to allow Customs to conduct a risk analysis for security and safety purposes. For those goods arriving by sea or air, the manifest is used, while the transport document is used for those arriving at land borders. At land borders with members of the Central European Free Trade Agreement (CEFTA), information is obtained through the Systematic Exchange of Electronic Data (SEED) System.

<sup>1</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, p. 31.

<sup>2</sup> Council of Ministers Decisions No. 557/2019, No. 626/2019, and No. 142/2020 amended No. 651/2017.

<sup>3</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

<sup>4</sup> Council of Ministers Decision No. 1117/2020.

<sup>5</sup> Customs, *Customs Tariffs*. Viewed at: <https://dogana.gov.al/preferencat/>. A consolidated tariff schedule including MFN and preferential tariffs is also annually published on the website. Customs, *Preferential Tariffs and Tariff Quotas*. Viewed at: <https://www.dogana.gov.al/d/169/182/249/266/tarifat-preferentiale-dhe-kuotat-tarifore>.

<sup>6</sup> Albanian Customs; and IFC (2021), *Time Release Study: Albania, December 2021*, p. 15. Viewed at: <https://www.dogana.gov.al/dokument/4002/trs-albania-report>.

<sup>7</sup> IMF (2022), *Albania: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/362, p.12.



3.6. All imports into Albania need to be declared at the customs office of entry, where they are presented to Customs and placed under a temporary storage regime. In most cases, goods are cleared at the destination customs office in the region where the importer is legally registered, but based on an approved request, or for certain categories of goods (such as fruits and vegetables, or live animals), exemptions can be made from the rule of territorial competence with customs declarations deposited at the border office where all the necessary verifications are carried out.<sup>8</sup> Under a separate process, 11 operators are authorized to use a system of local clearance, where goods are cleared at the importers' premises, rather than the destination customs office.<sup>9</sup> Efforts to include a module for centralized customs clearance into the IT system are under way with a target date of 2028. Once included, AEOs for customs simplification (see below) will also be able to request that verification of goods be done at the customs office of entry under centralized clearance.

3.7. Since May 2019, customs declarations must be filed online using an electronic signature, but for international transit declarations, the accompanying documentation and a printed copy of the declaration are also submitted to the customs counter on paper.<sup>10</sup> The Customs Code also foresees the possibility of granting customs authorities access to the relevant IT system of importers, instead of importers submitting a declaration, an option that AEOs for customs simplification can use. A national tax identification number (NIPT) is required to import or export. Traders can request an authorization from the General Directorate of Customs to submit their customs declarations, or they can be represented by a licensed customs agent, who must be established in Albania. Currently, about 173 economic operators are authorized to submit their own customs declaration.

3.8. The Customs Code foresees release for free circulation, as well as regimes for (i) transit; (ii) storage (including for free zones); (iii) special use (including temporary admission); and (iv) processing. A system is in place that authorizes traders to use simplified declarations and requires fewer documents or less data.<sup>11</sup> Since December 2019, customs offices at border posts are open without interruption (24 hours a day, 7 days a week).

3.9. Goods in international or national transit can be covered by the national transit regime, a TIR carnet, an ATA carnet<sup>12</sup>, or be transported by post. The national transit regime is used for the movement of goods between the border and the customs office where goods are cleared, as well as goods being placed under the storage regime, or those transported to free zones. Goods shipped by air are not subject to the transit regime even if they have been unloaded or reloaded at one airport. Except for transit transport by sea and air, pipeline, or by a public railway company, a guarantee is required. A common transit regime covering Albania and Kosovo<sup>13</sup> has been in place since 2016.<sup>14</sup>

3.10. Goods imported under the storage regime can remain in customs warehouses or free zones for an indeterminate time. Goods in free zones are only subject to applicable customs duties when subsequently imported into the customs territory (Section 3.1.1).<sup>15</sup>

3.11. The temporary admission of goods is usually limited to two years but can be extended. A special end-use regime is also in place, allowing for such goods to be released for free circulation with reduced or removed duties.<sup>16</sup> Goods imported under the inward processing regime (active processing regime) are also eligible to be placed under the passive processing regime when temporarily exported to undergo further processing in another country. Goods exported for processing outside the customs territory (passive processing regime) can re-enter and be released for free circulation under the processing regime with partial or full exemption of import duties.<sup>17</sup>

<sup>8</sup> For example, where goods are destined for a location close to the border of entry, rather than the company's location, or where goods are perishable.

<sup>9</sup> Five of these operators are Authorized Economic Operators (see below).

<sup>10</sup> Order No. 10795/2 of 14 May 2019 "On declaration of goods at Customs will be carried out online (paperless) by applying an electronic signature".

<sup>11</sup> Customs, *Customs Simplifications*. Viewed at: <https://www.dogana.gov.al/c/170/331/thjeshtime-doganore>.

<sup>12</sup> The ATA carnet is based on the Customs Convention on the ATA Carnet for the Temporary Admission of Goods.

<sup>13</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

<sup>14</sup> Customs, *Transit Regime*. Viewed at: <https://www.dogana.gov.al/c/181/294/regjimi-i-transitit>.

<sup>15</sup> Customs Code, Articles 220-21.

<sup>16</sup> Customs Code, Article 227.

<sup>17</sup> Customs Code, Articles 228-235.

3.12. The Customs Code does not contain provisions for the pre-release of goods, expedited clearance, or clearance for perishable goods. As a response to the COVID-19 pandemic, however, the authorities allowed for certain food items (such as flour, sugar, oil, pasta, bread, cake, biscuits, rice, cheese, butter, yoghurt, salt, water, milk, or eggs) to be cleared directly at the border, rather than an inland border office responsible for their business location. While this measure expired, a green lane concept is being introduced on intra-CEFTA border crossings for all goods requiring phytosanitary, veterinary, or food inspections, with advance information shared via the SEED system.

3.13. Goods arriving in Albania in small parcels sent by mail for personal use and valued at less than EUR 45, as well as online purchases arriving by parcel and value at not more than EUR 22, enter duty free (Section 2.5). According to Instruction No. 2 of 15 January 2018, Customs also applies a simplified procedure to other small shipments of a non-commercial nature of up to EUR 1,000.<sup>18</sup>

3.14. Economic operators can apply for a binding decision regarding advance tariff classification.

3.15. The new Customs Code contains an AEO scheme that has been operational since 2019 and is aligned with international good practices. Operators can be approved either for safety and security to facilitate control (AEO-S)<sup>19</sup> or for customs simplifications (AEO-C).<sup>20</sup> Being approved under both would transfer "full" AEO status. Notice No. 6 of 19 October 2020 defines its practical implementation in greater detail.<sup>21</sup> The first 8 AEOs were registered in 2021<sup>22</sup> and at the end of June 2023, 10 AEO-Ss and 11 AEO-Cs were registered, 10 of them as full AEOs. Albania has signed an agreement with CEFTA countries, both parties are sharing information regarding approved AEOs, and the process of establishing mutual recognition of AEOs with CEFTA is under way. According to the authorities, a CEFTA evaluation team has given a positive opinion on the Albanian AEO scheme meeting the requirements in June 2022.<sup>23</sup> In the interim, Albania also signed bilateral agreements regarding the mutual recognition of AEO-Ss with Serbia and North Macedonia in 2021, which entered into force in 2022.

3.16. Efforts to create a national single window system are ongoing with support from the World Bank<sup>24</sup>, and a blueprint for the system is being prepared. Since 2020, 34 types of approvals, permits, and licences have been issued by Customs through the e-Albania portal<sup>25</sup>, with an additional 7 added by 2023. Other regulatory agencies also issue similar permissive documents required for import and/or export through the e-Albania portal, which can be transferred to the customs clearance system via user-upload.

3.17. In 2021, the time for import customs clearance for all risk categories was lower than in 2018 and remained generally shorter at inland terminals compared to border crossing points.<sup>26</sup> On average, the time to clear shipments classified as "yellow" (red) took 68 (72) minutes at border crossing points, and 23 (62) minutes in inland terminals. While the time to clear goods under the "green" or "blue" channel was generally less than 30 minutes in 2021, the release order was not automatically issued but required an intervention by a customs officer.<sup>27</sup> According to the Time Release Study, the National Food Authority contributes little to average clearance times.

3.18. On 10 May 2016, Albania ratified the Protocol concerning the WTO Agreement on Trade Facilitation (TFA). According to the TFA Database, more than 98% of Albania's commitments had

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<sup>18</sup> Customs, *Online Shopping and Postal Consignment*. Viewed at: <https://www.dogana.gov.al/english/c/226/online-shopping>.

<sup>19</sup> This includes fewer, and prioritized, physical and document-based controls, carried out at alternative locations following a request by the operator.

<sup>20</sup> This includes reduced or waived guarantees, or the authorization for simplified declarations.

<sup>21</sup> Customs, *Authorized Economic Operators*. Viewed at: <https://dogana.gov.al/english/c/170/284/authorized-economic-operators>.

<sup>22</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final, p. 101.

<sup>23</sup> Additional protocol No. 5 of CEFTA in force since 2018 provides for mutual recognition of CEFTA party AEO schemes, provided legislation and implementation are fully in line with the relevant EU *acquis*.

<sup>24</sup> WTO document [G/TFA/N/ALB/3](#), 28 April 2023.

<sup>25</sup> Based on Order No. 31/2021. Customs, *Online Services Notice*. Viewed at: <https://dogana.gov.al/d/172/172/0/872/njoftim-mbi-sherbimet-online>.

<sup>26</sup> Albanian Customs; and IFC (2021), *Time Release Study: Albania, December 2021*, p. 16. Viewed at: <https://www.dogana.gov.al/dokument/4002/trs-albania-report>.

<sup>27</sup> Albanian Customs; and IFC (2021), *Time Release Study: Albania, December 2021*.

been implemented at the beginning of 2023, mostly under categories A and B, with the remaining commitments under category C for implementation by the end of 2024. While it did not yet notify contact points for coordinating technical assistance, Albania notified other contact points in 2018 and information regarding arrangements as well as progress regarding in the provision of technical assistance support in April 2023.<sup>28</sup> During the review period, available trade facilitation indicators pointed to improvements in trade facilitation, in particular regarding appeals, fees and charges, documents, procedures, and involving the trade community. Despite significant progress made as measured by various indicators, however, Albania continues to lag in most dimensions behind peers in Europe and Central Asia, or the OECD high-income economies (Table 3.1).

**Table 3.1 Trade facilitation indicators**

	Albania 2017	Albania 2019	Albania 2022	Europe and Central Asia 2022	OECD high income 2022
<b>OECD Trade Facilitation Indicators (0-2 (best))</b>					
Average trade facilitation performance	1.153	1.371	1.426	..	..
A-Information availability	1.330	1.330	1.429	1.617	1.850
B-Involvement of the trade community	1.250	1.570	1.571	1.645	1.810
C-Advance rulings	1.571	1.571	1.571	1.683	1.806
D-Appeal procedures	1.220	1.670	1.667	1.491	1.570
E-Fees and charges	1.310	1.850	1.846	1.702	1.850
F-Documents	1.000	1.440	1.556	1.634	1.800
G-Automation	0.850	1.090	1.182	1.517	1.850
H-Procedures	1.250	1.500	1.423	1.549	1.710
I-Internal border agency co-operation	0.550	0.700	1.000	1.299	1.620
J-External border agency co-operation	0.730	0.730	0.818	1.258	1.600
K-Governance and impartiality	1.630	1.630	1.625	1.677	1.930
	Albania 2016	Albania 2018	Albania 2023	Europe and Central Asia 2023	OECD high income 2023
<b>Logistics Performance Index (1-5 (best))</b>					
Efficiency of customs and border management clearance	2.230	2.350	2.400	2.900	3.560

.. Not available.

Source: OECD, *Trade Facilitation Indicators 2022*. Viewed at: <https://www.oecd.org/trade/topics/trade-facilitation/>; and World Bank, *Logistics Performance Index (LPI)*. Viewed at: <https://lpi.worldbank.org/>.

3.19. The Customs Code allows appealing the decisions of customs authorities first directly with the customs office, to the Director-General of Customs, and subsequently in court if needed. Between 2015 and 2022, operators filed on average more than 400 appeals with the Director-General of Customs, and most of them were brought to court subsequently.

### Customs valuation

3.20. Albania continues to primarily use transactional values for import customs declaration processes, accounting for 93% of customs declarations during 2022, compared to 91% in 2017. The remaining declarations used alternative valuation methods as spelled out in the Customs Code.<sup>29</sup> Since 2018, a national valuation database can be used to assess risks related to declared values.<sup>30</sup> No binding advance customs valuation system is in place.

### 3.1.2 Rules of origin

3.21. Albania applies non-preferential rules of origin, conferring origin to wholly obtained products or where the last substantial (and economically justified) transformation has taken place, with

<sup>28</sup> WTO, *Trade Facilitation Agreement Database*; and WTO document [G/TFA/N/ALB/3](https://www.wto.org/trade-facilitation-agreement-database/), 28 April 2023.

<sup>29</sup> Customs Code, Article 70.

<sup>30</sup> Guideline No. 3/2018 on the Valuation of Goods for Customs Purposes. Viewed at: <https://www.dogana.gov.al/dokument/3341/udhezim-nr3-date-2312018>.



product-specific rules in place for a large number of products across many HS chapters, defined in an annex to the Customs Code.<sup>31</sup> Origin can be self-declared, unless origin affects certain conditions of entry, in which case a certificate of origin issued in the exporting country is required, using a template defined in the Customs Code.

3.22. Albania also provides for preferential rules of origin under its FTAs and these have changed. Since 2021, the Albania-EU Stabilisation and Association Agreement (SAA) uses the current or transitory rules of origin contained in the Pan-Euro-Mediterranean (PEM) Convention on Rules of Origin until the revised PEM Convention is adopted by all contracting parties. Since 2022, they apply to the FTA with EFTA, since February 2023 to the FTA with CEFTA, and their use is also foreseen in the newly concluded FTA with the United Kingdom. Since 2021, the FTA with Türkiye uses the current PEM rules of origin. The Customs Code and implementing regulation foresee that preferential origin can be confirmed by a "suppliers declaration", per shipment or in the form of a long-term declaration covering up to two years, using a form contained in an annex to the Customs Code. In 2022, the authorities issued a new guidance on "Non-Preferential Rules of Origin".<sup>32</sup>

3.23. Operators can apply for a binding decision on origin in case of doubt in line with a manual published in 2018.<sup>33</sup>

### 3.1.3 Tariffs

3.24. All tariff lines in Albania's tariff schedule are bound, using the HS17 nomenclature, with the highest bound rate at 20%. The average bound rate is 6.3%, with that for agricultural tariff lines 10%, and that for non-agricultural tariff lines 5.7%.

3.25. Applied tariff rates changed little between 2015 and 2023. Tariff rates decreased for 162 tariff lines<sup>34</sup>, they increased for 10 tariff lines, and no comparison could be made for an additional 134 tariff lines. Applied tariff rates are on average 4.1%, significantly lower than the average bound rate (Table 3.2). The nomenclature used for tariffs in 2023 is HS22, consisting of 9,771 tariff lines at the 11-digit level. This is a change from the 9,386 tariff lines at the 8-digit level using HS12 at the time of the previous Review.

**Table 3.2 Structure of MFN tariffs in Albania, 2015 and 2023**

(% unless otherwise indicated)

	Applied MFN		Final bound <sup>a</sup>
	2015	2023	
Bound tariff lines (% of all tariff lines)	n.a.	n.a.	100.0
Simple average rate	4.2	4.1	6.3
WTO agricultural products	8.7	8.7	10.0
WTO non-agricultural products	3.0	2.8	5.7
Agriculture, hunting, forestry and fishing (ISIC 1)	5.0	5.0	7.2
Mining and quarrying (ISIC 2)	2.5	2.5	5.5
Manufacturing (ISIC 3)	4.2	4.0	6.3
Duty free tariff lines (% of all tariff lines)	48.6	50.8	34.7
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.0	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines) <sup>b</sup>	11.8	11.9	10.6
International tariff "peaks" (% of all tariff lines) <sup>c</sup>	0.0	0.0	13.9

<sup>31</sup> Customs Code, Article 60, and CMD No. 651. See also Customs, *Non-Preferential Origin*. Viewed at: <https://dogana.gov.al/english/d/182/249/0/229/non-preferential-origin>.

<sup>32</sup> Director-General of Customs Order No. 7, 18 March 2022, *Guidance on "Non-Preferential Rules of Origin"*. Viewed at: <https://www.dogana.gov.al/dokument/3911/manual-udhezues-mbi-rregullat-e-origjines-jo-preferenciale>.

<sup>33</sup> Customs, *Binding Origin Information*. Viewed at: <https://dogana.gov.al/d/182/249/0/402/informacion-detyrues-i-origjines>.

<sup>34</sup> These cover primarily ITA products following acceptance of the ITA expansion, as well as some additional tariff lines.

	Applied MFN		Final bound <sup>a</sup>
	2015	2023	
Coefficient of variation	1.3	1.3	1.0
Nuisance applied rates (% of all tariff lines) <sup>d</sup>	17.6	16.8	0.0

n.a. Not applicable.

a Calculations for final bound rates are taken from the CTS database. The final bound schedule is based on HS17 nomenclature and consists of 6,692 tariff lines.

b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

c International tariff peaks are defined as those exceeding 15%.

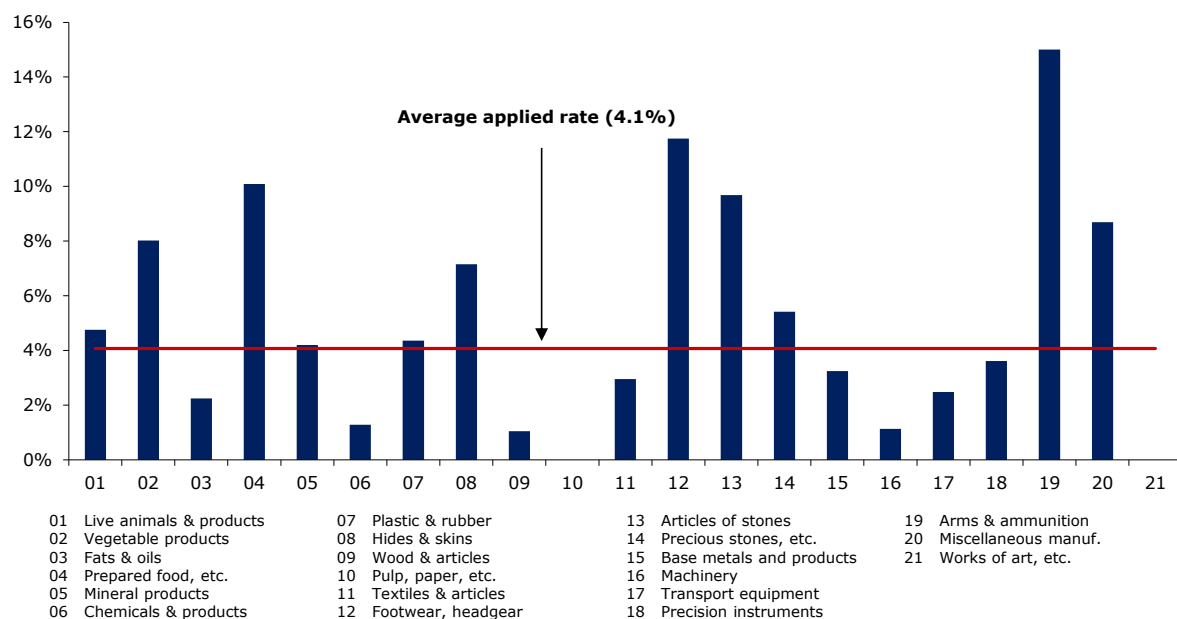
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2015 tariff schedule is based on HS12 nomenclature consisting of 9,386 tariff lines at the 8-digit level. The 2023 tariff schedule is based on HS22 nomenclature consisting of 9,771 tariff lines at the 11-digit level.

Source: WTO Secretariat calculations, based on data provided by the authorities and WTO CTS database.

3.26. The simple average of agricultural tariff lines (WTO definition) was 8.7% in 2023, compared to a lower average of non-agricultural tariff lines of 2.8%. The tariff schedule consists of six rates ranging from zero to 15%<sup>35</sup>, 50.8% of tariff lines are duty free, and 16.8% of tariff lines have a nuisance tariff of 2%. Albania applies no *non-ad valorem* tariffs and no MFN tariff rate quotas (TRQs). Average tariffs for raw materials are 3.9%, for semi-processed goods 1.8%, and for fully processed goods 5.3%; they vary significantly by HS section (Chart 3.1).

**Chart 3.1 Simple MFN average applied tariff by HS section, 2023**



Note: Calculations for averages are based on the national tariff line level (11-digit). Tariff schedule is based on HS22.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.27. Albania's FTAs contain substantial improvements compared to MFN tariffs, with the large majority of imports entering duty free, albeit with differences across agreements. Under CEFTA, 100% of tariff lines are duty free, while only 81.4% of tariff lines are duty free under the Albania-Türkiye FTA. Generally, tariff concessions are higher for agricultural compared to non-agricultural products, and nearly all non-agricultural imports enter duty-free under these FTAs,

<sup>35</sup> The six rates are zero, 2%, 5%, 6%, 10%, and 15%.

while the share of duty-free tariff lines is more limited for agricultural products (Table 3.3). Albania applies some preferential TRQs, affecting certain agricultural goods (Section 4.1).

**Table 3.3 Albania's preferential tariff summary, 2023**

	Simple tariff average (%)			Share of duty-free lines (%)		
	Overall	WTO agriculture	WTO non-agriculture	Overall	WTO agriculture	WTO non-agriculture
MFN	4.1	8.7	2.8	50.8	11.5	61.8
CEFTA	0.0	0.0	0.0	100.0	100.0	100.0
EFTA	0.9	4.0	0.0	92.8	67.4	100.0
EU/UK	0.9	3.9	0.0	92.9	67.6	100.0
Türkiye	1.9	8.4	0.0	81.4	15.6	99.9

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.28. For 24 tariff lines, applied rates exceed bound rates (Table 3.4). The previous Review found that for 14 tariff lines, applied tariff rates exceeded bound rates, and for 13 of these lines, applied rates remain higher than bound rates after three lines have been merged into one.

**Table 3.4 Tariff lines with applied MFN rates higher than their bound levels, 2023**

No.	Tariff code (based on the 2023 tariff schedule)	2023 applied duty rate (%)	Bound duty rate (%)
<b>HS 0102 Live bovine animals</b>			
1	01023910000	10	5/10 <sup>a</sup>
2	01029091000	10	5/10 <sup>b</sup>
<b>HS 2404 Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes</b>			
3	24049190000	15	5
<b>HS 2707 Oils and other products of the distillation of high temperature coal tar</b>			
4	27073000000	15	10/20 <sup>c</sup>
<b>HS 2710 Petroleum oils and oils obtained from bituminous minerals, other than crude</b>			
5	27109100000	10	5/10 <sup>d</sup>
6	27109900000	10	5/10 <sup>e</sup>
<b>HS 2845 Isotopes</b>			
7	28452000000	2	0
8	28453000000	2	0
9	28454000000	2	0
<b>HS 3006 Pharmaceutical goods</b>			
10	30061030000	6	0
<b>HS 3706 Cinematographic film, exposed and developed</b>			
11	37061020000	2	0
12	37061099000	2	0
<b>HS 3825 Residual products of the chemical or allied industries</b>			
13	38259010000	2	0
<b>HS 3911 Petroleum resins, coumarone-indene resins, polyterpenes, polysulphides, polysulphones</b>			
14	39112000000	2	0
<b>HS 8415 Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity</b>			
15	84151090000	10	0/10 <sup>f</sup>
<b>HS 8528 Monitors and projectors, not incorporating television reception apparatus</b>			
16	85285291000	2	10
17	85285900000	2	0/10 <sup>g</sup>
18	85287115000	6	0
19	85287119000	6	0
20	85287191000	6	0
21	85287199000	6	0
<b>HS 8539 Electric filament or discharge lamps</b>			
22	85393920000	2	0

No.	Tariff code (based on the 2023 tariff schedule)	2023 applied duty rate (%)	Bound duty rate (%)
<b>HS 9013 Lasers, other than laser diodes</b>			
23	9013800000	2	0/5 <sup>h</sup>
<b>HS 9017 Drawing, marking-out or mathematical calculating instruments</b>			
24	90172039000	2	0/5 <sup>i</sup>

- a A tariff is bound at 5% on domestic species of buffalo with a weight exceeding 80 kg but not exceeding 160 kg (excluding for slaughter). The applied tariff on this product is higher than the corresponding bound level.
- b A tariff is bound at 5% on domestic species of live bovine animals (other than cattle and buffalo) with a weight exceeding 80 kg but not exceeding 160 kg (excluding for slaughter). The applied tariff on this product is higher than the corresponding bound level.
- c A tariff is bound at 10% on Xylol used for purposes other than as a power or heating fuel. The applied tariff on this product is higher than the corresponding bound level.
- d A tariff is bound at 5% on waste oils of electrical insulating oils (containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs), or polybrominated biphenyls (PBBs)). The applied tariff on this product is higher than the corresponding bound level.
- e A tariff is bound at 5% on waste oils of electrical insulating oils (other than containing PCBs, PCTs, or PBBs). The applied tariff on this product is higher than the corresponding bound level.
- f A tariff is bound at zero on a tariff code for use in civil aircraft. The applied tariff on this product is higher than the corresponding bound level.
- g A tariff is bound at zero on colour monitors. The applied tariff on this product is higher than the corresponding bound level.
- h A tariff is bound at zero on ITA products. The applied tariff on this product is higher than the corresponding bound level.
- i A tariff is bound at zero on marking-out instruments for pattern generating apparatus of a kind used for producing masks or reticles from photoresist coated substrates. The applied tariff on this product is higher than the corresponding bound level.

Source: WTO Secretariat calculations, based on data provided by the authorities and WTO CTS database.

### 3.1.4 Other charges affecting imports

#### 3.1.4.1 Other duties and charges

3.29. Albania has bound other duties and charges within the meaning of Article II:1(b) of the GATT 1994 at zero.<sup>36</sup> Albania imposes certain fees and charges for services rendered, however. Among those, customs levies "scanning fees" of EUR 22 for each customs declaration valued above EUR 1,000, and a fee of EUR 5 for those valued below, regardless of whether the consignments are actually scanned. Scanning has been undertaken since 2015 under a Concession Agreement. Other fees include parking fees (lowered in 2019 and free for the first 60 minutes), a sealing fee, and storage fees for the use of customs warehouses.<sup>37</sup> A fee for the printing of certain customs forms was removed in 2019.

#### 3.1.4.2 Internal taxes collected at the border

3.30. Internal taxes such as VAT or excise duties are collected at the border for imports, at the same rates as those for domestically produced goods, which are collected internally. The standard VAT rate of 20% is charged on most goods with certain goods and services subject to a reduced rate of 6%<sup>38</sup>, while exports are zero-rated (Section 3.3.1). Where levied on imports, VAT is based on the transaction value including import duties. Excise duties apply to a broad range of products such as coffee, alcoholic beverages, tobacco, energy products, tyres, and accumulators, with some changes during the review period. Customs authorities also collect excise duty on nationally produced goods and such excise duties accounted on average for 3.9% of total excise duties collected between 2019 and 2022.

<sup>36</sup> WTO document [WT/ACC/ALB/51](#), 13 July 2000.

<sup>37</sup> Actual fees and charges applied by the Customs Administration are based on the 2019 Instruction of Minister of Finance and Economy, No. 10693/2. Viewed at: <https://dogana.gov.al/dokument/2991/fz-2019-141>.

<sup>38</sup> Law No. 92/2014, Article 49.

3.31. In addition to VAT and excise duties, Customs also collects additional national taxes for goods that are imported. They are (i) a "packaging tax", paid for plastic and glass packaging<sup>39</sup>; (ii) a turnover tax for fuels used by fishing vessels; and (iii) a carbon tax of ALL 3 per kg for coal, kerosene, solar, mazut, and petroleum coke, ALL 3 per litre of gasoline, and ALL 1.5 per litre of petrol.<sup>40</sup> There are also taxes on the import of milk powder, milk whey, and milk cream (also applying to production); on the import of homogenized beverages (also applying to production); and for fuel used for vessels for tourism and entertainment purposes going outside Albanian territorial waters.

3.32. Overall, taxes collected by Customs at the border accounted for more than 50% of total tax revenue in each year during the review period, increasing as a share of the total during the review period. Import duties accounted for slightly more than 2% of total tax revenues (Table 3.5).

**Table 3.5 Tax revenue by source, 2015-22**

(ALL billion)

Collector	Tax	2015	2016	2017	2018	2019	2020	2021	2022
Customs administration	Customs tariff	5.8	6.1	6.5	6.2	6.5	6.2	7.5	8.4
	VAT	95.3	97.6	104.6	107.2	107.2	100.9	131.3	156.9
	Excise <sup>a</sup>	39.0	41.9	45.1	45.0	46.7	44.5	51.6	53.5
	Other	3.9	2.8	2.3	2.6	2.6	1.8	2.4	4.2
	<b>Subtotal</b>	<b>144.0</b>	<b>148.0</b>	<b>159.0</b>	<b>161.0</b>	<b>163.0</b>	<b>153.0</b>	<b>193.0</b>	<b>223.0</b>
Tax administration	Income tax	29.6	31.4	32.1	36.4	46.1	33.7	39.3	45
	Property tax	25.0	29.2	31.6	34.5	36.6	28.4	35.6	47.7
	VAT	30.4	33.8	35.0	36.3	25.3	29.5	30.2	34.5
	Excise	a	a	a	a	a	a	a	a
	Other national tax	29.9	33.0	36.2	36.0	33.8	34.0	40.1	40.6
	<b>Subtotal</b>	<b>115.0</b>	<b>127.0</b>	<b>135.0</b>	<b>143.0</b>	<b>142.0</b>	<b>126.0</b>	<b>145.0</b>	<b>167.8</b>
<b>Total tax revenue</b>		<b>258.9</b>	<b>275.8</b>	<b>293.4</b>	<b>304.3</b>	<b>304.8</b>	<b>279.0</b>	<b>338.1</b>	<b>390.8</b>

a Customs authorities also collect excise duty on nationally produced goods, and such duties are included under "customs administration".

Source: Ministry of Finance and Economy.

### 3.1.5 Import prohibitions, restrictions, and licensing

3.33. Albania first notified WTO Members of quantitative restrictions in place in December 2018.<sup>41</sup> According to the notification, the importation and transit of hazardous waste (defined as chemicals classified as Persistent Organic Pollutants and subject to the Stockholm and Basel Conventions) are strictly prohibited under all circumstances, while the import of certain animals and plant species (all CITES species), as well as certain narcotic drugs, is restricted.

3.34. The latest responses to the import licensing questionnaire indicate that licensing requirements are in place for a number of products requiring a licence, permit, or authorization to be imported into Albania (Table 3.6). Licensing is generally done on a compliance basis, which might include the registration of products, such as plant protection products, and according to the authorities does not intend to restrict quantities. In most cases, economic operators are licensed to import such goods without each individual shipment requiring a licence. However, for drug precursors, the Ministry of Health and Social Protection issues a special authorization for each import consignment of category 1 and 2 substances, while those of category 3 are subject to an annual licence and quantity limits.

**Table 3.6 Imports requiring licensing**

Goods categories/items	Legal basis	Controlling authority
Certain animals and plant species (CITES)	Law No. 9867/2008 on Determining the Rules and Procedures for the International Trade of Endangered Species of Wild Fauna and Flora, as amended	Ministry of Tourism and Environment

<sup>39</sup> While the tax on domestically produced glass packaging is collected internally, Customs collects a tax on raw materials used in the production of plastics packaging when such materials are imported.

<sup>40</sup> Customs, *Other Taxes*. Viewed at: <https://dogana.gov.al/english/d/169/182/248/235/other-taxes>.

<sup>41</sup> WTO document [G/MA/QR/N/ALB/1](#), 4 December 2018. Previously, Albania had notified that it did not have quantitative restrictions in place.

Goods categories/items	Legal basis	Controlling authority
Plant protection products	Law No. 10081/2009 on Licensing, Authorizations and Permits in the Republic of Albania, as amended Law No. 105/2016 for the protection of plants, amended by Law No. 15/2022	National Food Authority
Live animals, material on animal insemination, veterinary drugs and vaccines	Law No. 10081/2009 on Licensing, Authorizations and Permits in the Republic of Albania	National Business Centre (NBC), Ministry of Agriculture and Rural Development, and National Authority for Veterinary and Plant Protection
Mercury	Law of Chemicals No. 27/2016, based on Minamata Convention	Ministry of Tourism and Environment
Ozone-depleting substances	Council of Ministers Decision No. 10/2019 on Rules for the Production, Import, Export, placing on the Market and Use of Ozone-Depleting Substances, as well as the Products and Equipment that Contain these Substances	Directorate of Climate Change, Ministry of Tourism and Environment
Military and dual use goods	Law No. 46/2018 on State, International Transfer Control of Military Goods and Dual-use Items and Technologies, replacing Law No. 9707/2007	State Export Control Authority
Drug precursors	Law No. 8874/2002 for the Control of Substances Used to Produce Illicit Narcotic and Psychotropic Substances	Ministry of Health and Social Protection
X-ray equipment	Law No. 8025/1995 on Protection from Ionizing Radiation, as amended	Radiation Protection Commission (Radiation Protection Office)
Light weapons and ammunition	Law No. 74/2014 on Arms	State Police

Source: WTO document [G/LIC/N/3/ALB/12](#), 8 March 2023; and information provided by the authorities.

### 3.1.6 Anti-dumping, countervailing, and safeguard measures

3.35. During the review period, Albania did not amend its rules on anti-dumping and countervailing measures described in the previous Review.<sup>42</sup> Law No. 9796/2007 on anti-dumping and countervailing measures and Law No. 9790/2007 on safeguard measures remain in place and were not amended.

3.36. Companies representing at least 50% of a sector can request the initiation of anti-dumping or subsidy investigations, which are then led by the Ministry of Finance and Economy<sup>43</sup>, with any decision to impose measures taken by the Commission for the Evaluation of Measures of Imports.<sup>44</sup> Such measures must be reviewed at least every five years but can remain in place following such reviews. Procedures regarding safeguard measures follow a similar mechanism as described in the previous Review. Temporary safeguard measures in the form of a tariff increase not exceeding 200 days can be applied under certain conditions. Final safeguard measures can also include quantitative restrictions and can be imposed for a maximum of eight years, with such measures being removed gradually starting from one year of application. While some requests were raised, Albania did not start any formal anti-dumping or subsidy investigations and did not decide to impose any measures. Albania has not maintained any anti-dumping, countervailing, or safeguard measures since its accession to the WTO.

3.37. Albania's FTAs provide for the recourse to anti-dumping and countervailing measures in accordance with respective WTO provisions. The agreements also cover safeguards, allowing for the use of bilateral safeguards, under broader conditions but with additional limits, under these agreements as outlined in the previous Review.

<sup>42</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, p. 46.

<sup>43</sup> This Ministry was established in 2017 as a result of a merger of the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE) and the Ministry of Finance (Section 2.2).

<sup>44</sup> The Commission for the Evaluation of Measures for Imports was recomposed in 2017 and is chaired by the Minister responsible for trade issues. See Council of Ministers Decision No. 317/2017. Viewed at: <http://qbz.gov.al/eli/vendim/2017/04/12/317>.

### 3.1.7 Other measures affecting imports

3.38. Special customs regimes play an important role in Albania, with around 20% of imports being imported under the inward processing regime (Sections 1.7.1 and 3.1.1).

3.39. The Albanian Investment Development Agency (AIDA) also implements a promotional "Made in Albania" campaign (Section 3.3.1) that could potentially impact imports.

## 3.2 Measures directly affecting exports

### 3.2.1 Customs procedures and requirements

3.40. The Customs Code regulates customs procedures and requirements for exports, with general registration and documentation requirements similar to those for imports. Exporters submit an export declaration, with consignments cleared at the office in the region where the exporter is legally registered and the relevant exit office certifying the exit of goods. Exporters can also clear consignments at the border directly.<sup>45</sup> While a pre-departure declaration is foreseen according to the Customs Code, the relevant elements of the IT system are still being developed.

### 3.2.2 Taxes, charges, and levies

3.41. No export duties are applicable to exports, and exports are VAT zero-rated. Irrespective of whether they are exported or not, certain products are subject to a mining fee (Section 4.2).<sup>46</sup>

### 3.2.3 Export prohibitions, restrictions, and licensing

3.42. During the COVID-19 pandemic, the authorities introduced a number of temporary export restrictions relating to certain drugs, medical supplies, and medical devices in March 2020, which were again lifted in July 2021.<sup>47</sup>

3.43. Export licences for military goods remain in place and are administered by the State Export Control Authority in accordance with Law No. 46/2018.

### 3.2.4 Export support and promotion

3.44. Special customs regimes play an important role in Albania, with more than 50% of exports being classified as re-exports under the duty drawback export regime in recent years (Section 1.7.1).

3.45. The AIDA provides support to companies in Albania interested in exporting, focusing on SMEs. In 2017, AIDA published an Export Guide.<sup>48</sup> It supports the participation of some companies in trade fairs, manages a business-to-business platform for peer exchanges, and provides additional support to SMEs, including via a number of general support funds (Section 3.1.1). AIDA also implements the promotional "Made in Albania" campaign that could potentially impact exports although no data was available (Section 3.3.1).

3.46. According to the authorities, an Export Programme 2023-27 is being developed, which would aim to bolster export capabilities of certain sectors through measures spelled out in an action plan to promote exports and international integration. The programme is expected to be approved during 2023.

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<sup>45</sup> Customs Code, Article 243.

<sup>46</sup> Customs, *Other Taxes*. Viewed at: <https://dogana.gov.al/english/d/169/182/248/235/other-taxes>.

<sup>47</sup> WTO documents [G/MA/QR/N/ALB/1/Add.1](#), 27 March 2020; and [G/MA/QR/N/ALB/1/Add.2](#), 9 November 2021.

<sup>48</sup> AIDA and GIZ (2017), *Export Guide for SMEs*. Viewed at: <https://www.aida.gov.al/images/PDF/Guida-e-eksporteve.pdf>.



### 3.2.5 Export finance, insurance, and guarantees

3.47. According to the authorities, no official export insurance, finance, or guarantee scheme for exports is in place.

## 3.3 Measures affecting production and trade

### 3.3.1 Incentives

3.48. Over the review period, there were no major changes to the tax framework other than some temporary measures in response to the COVID-19 pandemic as well as the introduction of some select tax incentives, some adjustments to the implementation of VAT, and some changes to excise duties.

3.49. Law No. 8328/1998 on Income Tax was amended multiple times during the review period. The corporate income tax (CIT) is 15% for companies with annual income exceeding ALL 14 million, while companies of lower annual income are subject to a reduced CIT of 5% since 2018 and zero since January 2021. For businesses, a reduced CIT of 5% applied to business entities operating in software development between January 2018 and May 2023. This reduced rate of 5% also applies to businesses in the areas of agricultural cooperation and agritourism since January 2019, and for companies of at least 250 employees operating in the automotive sector and generating all revenue from the production of motor vehicles or components since January 2020.<sup>49</sup> A progressive personal income tax is generally levied at rates of zero, 13%, and 23%.

3.50. The VAT Law (Law No. 92/2014) sets a standard VAT rate of 20% for most goods with certain goods and services subject to a reduced rate, and a number of services exempt from VAT. Since 2017, the Law was amended multiple times, adding products subject to reduced rate of 6% and, in 2021, introducing a reduced rate of 10% applying to certain agricultural inputs instead of the VAT exemption applying to such inputs until then (Section 4.1). The 2021 reform also increased the minimum size of investments eligible to benefit from VAT exemptions for the imports of machinery and equipment, from ALL 50 million to ALL 500 million, and removed such a general exemption for small businesses. A VAT scheme for small businesses is in place.

3.51. Excise duties apply to a broad range of products such as coffee, alcoholic beverages, tobacco, energy products, tyres, and accumulators. While there were changes during the review period to the list of products subject to excise duty, it did not fundamentally change. Some tobacco and energy products were added, while used tyres and certain batteries and lamps were removed. However, some excise duty rates have changed. Excise duties for certain products are set to increase annually until 2026. An updated list of products subject to excise duty is contained in Law No. 61/2012.<sup>50</sup> Law No. 114/2021 introduced the indexation of excise duty to past inflation with the exception of tobacco and its by-products. Among other things, the IMF pointed to the potential benefits from increasing compliance regarding excise duty payments for fuels.<sup>51</sup>

3.52. The Government also continues to provide direct incentives in line with its State Aid Law No 9374/2005. The Law applies to all manufacturing and services activities but does not apply to agriculture and fisheries. As outlined in the previous Review, the Law prohibits state aid to be linked to export quantities, expenditures, or the use of domestic rather than imported inputs. A State Aid Commission (SAC) approves all state aid schemes and individual aid based on submissions from the Department of Business Development Policies in the Ministry of Finance and Economy. However, according to a recent EU assessment, the operational independence of the SAC has not yet been ensured and its enforcement record needs to be significantly improved.<sup>52</sup>

3.53. State aid is primarily provided as grants and tax exemptions, and the total amount of state aid provided between 2016 and 2022 was estimated at ALL 65.0 billion. State aid in 2021 amounted to ALL 4.6 billion, or 0.25% of GDP, and that in 2022 to ALL 6.1 billion, or 0.30 % of GDP, roughly

<sup>49</sup> Council of Ministers Decision No. 141/2020 "For the definition of activities, criteria and procedures for legal entities that exercise economic activity in the automotive industry".

<sup>50</sup> Law No. 61/2012, last amended by Law No. 81/2022. Viewed at: <http://qbz.gov.al/eli/ligj/2012/05/24/61>.

<sup>51</sup> IMF Country Report No. 22/362, p. 12.

<sup>52</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.



evenly divided between horizontal and sectoral aid. According to the authorities, most state aid schemes are relatively small. The SAC approved new state aid schemes in 2020 to support "green" businesses in Tirana, and in 2022 to support business start-ups throughout Albania, implemented by the State Minister of Entrepreneurship Protection. According to the authorities, 32% of the state aid in 2022 was in the form of grants, and 68% as tax expenditures. In 2022, the largest share of state aid was directed to the tourism sector (ALL 2 billion), followed by public transport (ALL 501 million). State aid in 2020 had been significantly higher at 1.9% of GDP as a response to the earthquake and the COVID-19 pandemic, which led to significantly higher "operational aid" (aid directed to variable costs). According to the latest notification by Albania, state aid in response to the COVID-19 pandemic between 2020 and July 2021 also included grants and loan guarantees to support employees in relatively small enterprises<sup>53</sup> (Section 1.2).

3.54. The AIDA also administered a number of support funds for SMES, at least for part of the review period. They included the Competitiveness Fund (2014-19), the Creative Economy Fund (2014-19), the Start Up Fund (2015-19), and the Innovation Fund (in 2014, 2016, and 2019).<sup>54</sup> Total expenditure for these four funds amounted to ALL 168 million between 2016-19.<sup>55</sup> According to the authorities, there were no programmes in place in 2020 and 2021, while in 2022, a programme to provide grants to support the digital transformation of SMEs funding up to 80% of such costs but not exceeding ALL 2,500,000 per company was put in place. However, this programme did not disburse any funds, according to the authorities.<sup>56</sup> From 2023, AIDA will be managing a single fund for MSMEs following the adoption of a new law<sup>57</sup>, with the Ministry of Finance and Economy annually proposing conditions and criteria for the provision of support to be funded under it, and the scheme being jointly implemented by the Ministry and AIDA. The proposed schemes will be approved by the Council of Ministers. No study assessing the effectiveness of past schemes was available.

3.55. In addition, AIDA provides support to Albanian MSMEs and products via the "Made in Albania" campaign, launched in July 2020. By May 2023, 248 local products had been selected. They are presented on the AIDA website, promoted in social networks, and most of them have already been included in one of three published catalogues.<sup>58</sup>

3.56. As spelled out in the previous Review, Albania continues to implement a scheme of Technology and Economic Development Areas (TEDAs) as defined in Law No. 9789/2007, amended in 2015. There have been no further changes to the Law and related Council of Ministers Decisions during the review period<sup>59</sup>, but the BIDS 2021-27 foresees a detailed review of the functioning of TEDAs. TEDAs aim to attract FDI by creating predictable investment conditions and are established by Council of Ministers Decisions. Four TEDAs have been established in Spitalle, Durrës (2015), Koplik, Malësi e Madhe (2016), Elbasan (2019), and Tirana (2021). The developer is still being selected for the TEDA in Spitalle and for Koplik, the Elbasan TEDA has been operational since 2022, and the TEDA in Tirana is under construction with an expected completion date of 2026. The Government envisages the establishment of additional zones.

3.57. TEDA developers can be public (the Tirana TEDA will be managed by the municipality) or private entities (Elbasan, although with a minority share held by the Ministry of Finance and Economy). The Government can select developers based on a competitive procedure, a non-competitive procedure, or following an application by a private company for an area already under their ownership. Developers are responsible for securing the zone (including for customs purposes) and constructing and maintaining necessary infrastructure and offices (including connecting them to national infrastructure). Land is leased to the developers nearly for free, who then rent out facilities to companies setting up in the zone, often at relatively low rates. Firms wanting to set up in the zones are encouraged to operate in new and innovative industries, meet international pollution elimination standards, be energy efficient, and exhibit high productivity. Applications by firms for investments and establishment are approved by the Ministry of Finance and Economy based on a request by the developer and its agreement with the user. During the review

<sup>53</sup> WTO document [G/SCM/N/372/ALB](#), 4 November 2021.

<sup>54</sup> AIDA, *AIDA's Funds*. Viewed at: <https://aida.gov.al/en/sme/financing-initiatives/aida-s-funds>.

<sup>55</sup> WTO document [G/SCM/N/343/ALB](#), 23 November 2020. In addition, a SME fund for tourism in certain historical areas disbursed ALL 28.6 million in 2016.

<sup>56</sup> AIDA, *AIDA's Funds*.

<sup>57</sup> Law No. 43/2022.

<sup>58</sup> AIDA, *Choose the Country*. Viewed at: <https://www.aida.gov.al/sq/zgjidh-te-vendit>.

<sup>59</sup> Council of Ministers Decisions No. 106/2014, No. 646/2015, and No. 647/2015.

period, the use of zones, and economic activity located therein, has started but remains overall limited (Table 3.7).

**Table 3.7 Development of TEDA activity, 2016 and 2022**

	Size (ha)	2016					2022				
		Total cumulative investment received (USD million)	Active firms (number)	Employment	Production (USD million)	Exports (USD million)	Total cumulative investment received (USD million)	Active firms (number)	Employment	Production (USD million)	Exports (USD million)
Spitalle, Durrës	49	0	0	0	0	0	0	0	0	0	0
Koplik, Malësi e Madhe	61	0	0	0	0	0	0	0	0	0	0
Elbasan	24	n.a.	n.a.	n.a.	n.a.	n.a.	8	5	155	8	8
Tirana	35	n.a.	n.a.	n.a.	n.a.	n.a.	20	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>5</b>	<b>155</b>	<b>8</b>	<b>8</b>

n.a. Not applicable.

Source: Information provided by the authorities.

3.58. Investments in TEDAs benefit from a number of fiscal and administrative incentives. They include, *inter alia*, (i) exemptions of imported inputs from import duties and VAT, and the delivery of Albanian goods into the zones (as well as provision of services in the zones) under zero-rated VAT; (ii) a profit tax holiday of 50% for five years; (iii) a tax deduction of 20% of their capital expenses (for investors setting up within the first three years of a zone becoming operational); (iv) exemption from the infrastructure impact tax; (v) certain exemptions of real-estate related taxes; and (vi) additional tax deductions relating to salaries payments (and subsequent increases in the salary base), as well as expenses for certain trainings and R&D activities, at more than 100% for 10 years. The zone developer also assists companies in obtaining relevant operating licences and other permits from line Ministries. The Tirana TEDA benefits from a special strategic investment procedure as outlined in Law No. 55/2015 on Strategic Investments, being granted specific support for the expropriation of land and the construction of various connecting infrastructure to the zone (Section 2.4).<sup>60</sup>

3.59. Sales of goods produced in TEDAs into the domestic market are subject to customs duties and VAT. The value of inputs of Albanian origin used in the production in TEDAs is deducted in this case. Where goods are sold domestically at prices below market value and which would negatively impact domestic industry, they would be subject to a "correction" fee.<sup>61</sup> The movement of goods between TEDAs does not incur customs duties.

### 3.3.2 Standards and other technical requirements

3.60. The framework relating to standards and technical regulations remains largely unchanged from the previous Review with the exception of a new Law on Metrology (Law No. 126/2020) adopted in 2020.

3.61. The General Directorate of Standardization (DPS), reporting to the Ministry of Finance and Economy, is the national standards body in charge of standardization activities and remains responsible for the development and adoption of standards. It also remains the notifying authority and enquiry point for the WTO. Following some amendments to the Law on Standardization (Law No. 9870/2008) in 2020, it plays the same role under CEFTA, and is also tasked with implementing obligations relating to EU directives and regulations in the area of standardization. Council of Ministers Decision No. 382/2018 spelled out some elements of standardization activities in more detail, and was amended in 2021 to reflect requirements of EU Regulation 1025/2012 on European Standardization, *inter alia*, regarding transparency and participation. DPS is a full member of the

<sup>60</sup> Strategic Investments Commission Decision No. 1/8 of 15 July 2021. Viewed at: <https://www.aida.gov.al/images/PDF/Vendimet-e-komitetit/VKIS%201-8%20date%20TEDA%20Tirane.pdf>.

<sup>61</sup> According to the authorities, such fee has not yet been applied.

European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC)<sup>62</sup>, and an associate member of the International Electrotechnical Commission (IEC).

3.62. Standards are developed and approved by the DPS, with inputs from relevant stakeholders and from public consultations. Based on proposals by the technical committees at DPS, a Technical Board approves new standards to be developed in a work programme. Draft standards are published for comments, before being finalized by a relevant technical committee at DPS, composed of various stakeholders.<sup>63</sup>

3.63. Once adopted, Albanian Standards are published on the website of the DPS and in the National Standards Catalogue. Since 2016, around 13,000 European Standards and 4,500 international standards have been adopted as national standards. According to the authorities, of the nearly 40,000 Albanian Standards adopted, more than 90% are aligned with European Standards.

3.64. Technical regulations are adopted by Council of Ministers Decisions. They are either based on EU Regulations or Directives and Harmonized Albanian Standards or other national standards. Harmonized Albanian Standards simply reflect an underlying Harmonized European Standard<sup>64</sup> and are adopted by the DPS before a European technical regulation is transposed into domestic law, with the list of Harmonized Albanian Standards (or changes to them) published in the Official Gazette. At the end of 2022, 29 technical regulations were in place in Albania, 16 of which were issued during the review period. All technical regulations are harmonized with the EU technical regulations, according to the authorities, with most of them based on Albanian Harmonized Standards (using the system of presumption of conformity).

3.65. All goods subject to a technical regulation need to demonstrate compliance before being marketed. For imports, such compliance must be demonstrated as part of their clearance. According to the Law on Marketing and Market Surveillance of Non-food Products, consignments require a declaration of conformity from the manufacturer and the conformity marking affixed on the product in case products are subject to Albanian Harmonized Standards or European Harmonized Standards where the presumption of conformity applies.<sup>65</sup> For goods subject to a technical regulation not based on a harmonized standard (such as detergents, textile, crystal glass, aerosol dispensers, or footwear), detailed requirements such as those regarding the labelling, display of information, or composition are specified in respective legal acts.

3.66. Complementing the conformity system, a system for market surveillance remains in place, with Law No. 10489/2011 spelling out the system for non-food products. In 2016, an Inspectorate for Market Surveillance, reporting to the Ministry of Finance and Economy, was established. It is tasked, *inter alia*, with overseeing the market for non-food consumer products in terms of safety, consumer protection, copyrights and related rights (Section 3.3.7), and energy labelling.<sup>66</sup> According to a recent assessment by the European Commission, the Albanian legislation regarding market surveillance is partially aligned with the EU *acquis*.<sup>67</sup>

3.67. The national accreditation body performing the accreditation of testing, calibration, and medical laboratories, as well as inspection and certification bodies remains the General Directorate of Accreditation (DPA) in line with Law No. 116/2014 on Accreditation of Conformity Assessment Bodies in the Republic of Albania. According to the authorities, accreditation is undertaken in accordance with European and international standards. At the end of 2022, there were 102 accredited conformity assessment laboratories and bodies. DPA is member of the European co-operation for Accreditation (EA) and has signed the EA MLA, accepting equivalence of accreditation systems and the reliability of conformity assessment results by accredited Conformity Assessment Bodies (CABs), in fields of testing (2015), inspection (2018), management system

<sup>62</sup> DPS applied to become a full member of CEN/CENELEC in 2021.

<sup>63</sup> Committee members are approved by the Technical Board based on applications received. Members need to demonstrate certain experience and competency.

<sup>64</sup> Such European Harmonized Standards are developed based on a request by the European Commission and, while voluntary, set out technical specifications that would be sufficient to comply with certain technical requirements outlined in EU regulations.

<sup>65</sup> Law No. 10489/2011, Article 26.

<sup>66</sup> The Inspectorate was set up by Council of Ministers Decision No. 36/2016.

<sup>67</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

certification (2018), and persons certification (2020). As a result, DPA recognizes the conformity assessment results issued by CABs accredited by peer-evaluated accreditation bodies under the EA MLA.

3.68. DPA is also full member of ILAC in the field of testing (2016) and inspection (2018) and is an accreditation body member of the IAF and signatory member of IAF MLA in the field of management system certification (2018) and persons certification (2022). In addition, DPA has signed MoUs with accreditation bodies in a number of neighbouring and European countries and signed a trilateral agreement covering the acceptance of conformity assessment results (similar to that covered by the EA MLA) with North Macedonia and Serbia in 2021, related to CEFTA provisions. While the SAA foresees the conclusion of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) between Albania and the European Union, negotiations had not yet started by the middle of 2023.

3.69. Replacing an earlier law from 2008, the new law on Metrology (Law No. 126/2020) and its implementing regulation aim to strengthen the metrological system overall, and to improve consumer protection and public health. The General Metrology Directorate (DPM) under the Ministry of Finance and Economy as national metrology body is a member of a number of international organizations in the field of metrology, including the European Association of National Metrology Institutes (EURAMET). Laboratories of National Measurement Standards at DPM operate according to a Quality Management System that complies with the requirements of standard ISO/IEC 17025:2017 according to the authorities, based on a EURAMET peer review. Since 2019, DPM has registered the measurement and calibration capabilities in the database of the International Bureau of Weights and Measures in the fields of mass, volume, and pressure according to the requirements of the International Committee for Weights and Measures MRA.<sup>68</sup>

3.70. Since 2018, food products are labelled in line with Council of Ministers Decision No. 434/2018 on food labelling and consumer information, replacing an earlier 2008 Regulation. The Decision is partially aligned with requirements of the relevant EU Regulation 1169/2011, aims to increase consumer protection, and includes a requirement to present nutritional information and ingredients. According to the authorities, the decision also aims to increase consumer protection and product quality, and facilitate the movement of food products. Law No. 105/2014 on Drugs and Pharmaceutical Services (which was amended in 2021 and early 2023) regulates the labelling of pharmaceutical products, while Law No. 26/2017 regulates the labelling of cosmetics.

3.71. In 2016, Albania adopted a new law on organic production, labelling, and control, replacing an earlier law from 2008.<sup>69</sup> Imports can be marketed as organic if importers demonstrate that products have been produced with equivalent practices as spelled out in the law, with products certified as organic by a EU member State control body (or one considered equivalent to them) automatically considered as equivalent in Albania (Article 37). According to the authorities, a new law on organic production is being drafted to reflect recent changes in EU legislation, and is expected to be adopted in 2024.

3.72. During the review period, Albania filed 19 TBT notifications to the WTO, mostly under Article 2.9.

### 3.3.3 Sanitary and phytosanitary requirements

3.73. The regulatory SPS framework was updated in parts during the review period. Law No. 9863/2008 on Food continues to regulate general food safety, Law No. 10465/2011 continues to apply to veterinary services with some amendments, while a new Law on Plant Protection was adopted in 2016 and amended in 2022.<sup>70</sup>

3.74. The Directorate for Food Safety in the Ministry of Agriculture and Rural Development is the national notification authority for SPS matters as regards the WTO and CEFTA. In addition to this Directorate, the Ministries of Health, Environment, and Agriculture and Rural Development are also responsible for drafting laws. The National Food Authority (NFA), also under the Ministry of

<sup>68</sup> International Committee for Weights and Measures MRA database. Viewed at: <https://www.bipm.org/kcdb/cmc/quick-search?keywords=Albania>.

<sup>69</sup> Law No. 106/2016.

<sup>70</sup> Law No. 105/2016, amended by Law No. 15/2022.

Agriculture and Rural Development, is responsible for the control of food and animal feed.<sup>71</sup> SPS measures are drafted by relevant competent authorities using a risk-based approach.

3.75. In the area of food safety, and as a result of amendments to the Food Law in 2022, consignments of food of animal origin are no longer inspected by border veterinary food safety inspectors, but by those responsible for the control of food and animal feed (i.e. NFA, Article 16). Such controls are usually carried out at border inspection posts according to the provisions of the Food Law and include inspections of food labels and control of product labels. Imports falling under a cooperation agreement in the Western Balkans are controlled at destination point. The NFA licences all food business operators as a precondition to import or export, and also those that produce food or feed (Section 2.4). Imports of animal products are only permitted from establishments and countries that are listed for export to the European Union unless there is a prior agreement in place. Imports of non-animal food items can originate anywhere.

3.76. Regarding animal health, Law No. 10465/2011 on Veterinary Services continues to apply, having been amended in 2020 and 2022. The revisions in 2020, *inter alia*, initiated the reform and integration of the veterinary services at local and national levels. It also established a National Agency for Veterinary and Plant Protection, organized in four Regional Directorates, that will take over additional monitoring responsibilities and be the single responsible body to carry out veterinary controls in Albania. Imports, exports, and transit of live animals, veterinary medical products, and non-food animal products require a veterinary certificate<sup>72</sup> and are subject to veterinary control by border veterinary inspectors of the NFA. These continue to be based on a manual from 2006 and a Minister's order from 2011. Only registered veterinary medical products can be imported, and to be accepted for registration in Albania, products have to be registered for marketing in the European Union. Live animals are kept in quarantine for at least 21 days upon importation.

3.77. Regarding plant health, the new Law No. 105/2016 was amended in 2022 in light of recent changes to the relevant EU legislation. According to the authorities, the changes in 2022 allow for a continued approximation via implementing legislation, such Order No. 113/2022 of the Minister of Agriculture and Rural Development, setting out protective measures against pests and their entry. Imports of plants and plant products (as well as those in transit) must be accompanied by a phytosanitary certificate and continue to be inspected at border posts by NFA inspectors for the protection of plants and agricultural inputs. Such controls are mandatory for wood packaging and pallet material as well (Article 11). To be imported, plant protection products have to be registered in Albania, which requires their prior registration for marketing in an EU member State. Imports must be accompanied by a certificate of analysis of the active substances and an import licence of the economic operator. The technical manager of the importer being a graduate of the Faculty of Agronomy in Albania continues to be a condition to obtain such a licence. Exports require a phytosanitary export certificate, with exports of fruits and vegetables also falling under Law No. 105/2016.

3.78. The Minister of Agriculture and Rural Development also issued some pest-specific ordinances in 2022 (aimed at limiting the spread of *Xylella fastidiosa* and tomato brown rugose fruit virus (ToBRFV)). The diagnosis of pests is done according to the diagnostic standards of the International Plant Protection Convention (IPPC). Phytosanitary issues are covered by the Strategy for Agriculture, Rural Development and Fisheries, 2021-27.

3.79. There is no specific legal framework in place to regulate the release of genetically modified organisms (GMOs) into the environment, but the Law on Food regulates the marketing of food containing GMOs under certain circumstances. In 2020, new rules regarding animal feed labelling, including those containing GMO, were approved.<sup>73</sup>

3.80. Albania is a member of the Codex Alimentarius Commission, the World Organisation for Animal Health (WOAH, formerly OIE), the European and Mediterranean Plant Protection Organization (EPPO), and a contracting party to the IPPC. It has also signed three regional phytosanitary cooperation agreements between 2018 and 2022.

<sup>71</sup> National Food Authority. Viewed at: <http://aku.gov.al/>.

<sup>72</sup> For trade with EU member States, an EU type certificate is used.

<sup>73</sup> Council of Ministers Decision No. 406/2020.

3.81. During the review period, Albania filed 16 SPS notifications to the WTO in 2016 and 2017, mostly relating to the notification of emergency measures.

### 3.3.4 Competition policy and price controls

3.82. There were no major changes to the legal framework in the area of competition policy during the review period. As described in the previous Review in greater detail<sup>74</sup>, Law No. 9121/2003 on Competition Protection regulates restrictive agreements, prohibits the abuse of a dominant position, and provides for prior control of mergers, being largely aligned to the EU competition framework.<sup>75</sup> It applies to public and private entities engaged in economic activities, with no sectors carved out from the application of the law. The Albania-European Union Association Agreement also covers competition rules as far as they affect trade between the two parties, and it foresees continued approximation of the Albanian legislation to the EU *acquis*. A competition policy spells out the main policy objectives in this area.

3.83. The Albanian Competition Authority (ACA) reports to Parliament and is tasked with monitoring and implementing the legal framework. It can also issue implementing regulations. A few sector regulators<sup>76</sup> play a role in competitive outcomes, including by regulating prices (see below), but must refer cases of market distortion in sectors they regulate to the ACA. During the review period, the structure of the ACA, which includes the Competition Commission and a Secretariat, was amended, introducing the role of a Chief Economist and a directorate dealing with European integration in 2017.

3.84. Individual restrictive agreements covering prohibited practices spelled out in the law can be exempted following approval by the Competition Commission. Such practices include agreements on prices, production volumes, allocation of market shares, dissimilar treatment of enterprises, or the use of supplementary obligations with no connection to the principal contract. During the review period, eight such exemptions were granted in the telecommunications, energy, insurance, tobacco, and pharmaceutical sectors. A leniency programme linked to the identification of such agreements is in place, and can cover partial or full leniency, but until June 2023 no leniency application had been made.

3.85. The abuse of a dominant position by any company or group of companies is prohibited, and certain mergers are subject to prior control. Concentrations that would effectively and significantly restrain competition, for example by creating or strengthening a dominant position, are prohibited, with the legislative framework allowing for the Competition Commission to consider economic efficiencies resulting from the concentration in their assessment. Following notification of a planned concentration, the Competition Commission can reject it, or allow such concentration without conditions or with certain conditions imposed. Concentrations with companies in serious risk of bankruptcy cannot be prohibited if less anti-competitive options are not available.<sup>77</sup> During the review period, the Competition Commission allowed 166 mergers, and blocked none.

3.86. The Secretariat of the ACA undertakes regular market monitoring in a few sectors, can initiate investigations on their own initiative or based on a complaint from the public, and submits investigation reports to the Competition Commission. Based on Competition Commission authorization, the Secretariat's investigative powers include the inspection of business and certain related private premises and the seizure of documents.

3.87. Based on the Law on Competition Protection, the Competition Commission can impose fines for infractions, but the Law does not foresee investigations under the Criminal Code of the Republic of Albania. It can also issue cease and desist orders and other civil remedies. Fines for minor infringements, such as the provision of incorrect, incomplete, or misleading information, or obstructing an investigation, are not to exceed 1% of aggregate turnover, while fines for serious infractions, such as infringements or the failure to comply with conditions or obligations, can reach up to 10% of annual turnover.

<sup>74</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016.

<sup>75</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

<sup>76</sup> These include the Energy Regulatory Authority (ERA), the Albanian Telecommunication and Postal Regulator (ATPR), the Bank of Albania (BoA), and the Albanian Financial Supervisory Authority (AFSA).

<sup>77</sup> Law No. 9121/2003, Article 13.



3.88. Between 2016 and 2022, the ACA initiated 86 investigations and took 559 decisions (Table 3.8). These investigations were concentrated in the financial, mobile telecommunications, wholesale, and hydrocarbon sectors, according to the authorities. ACA decisions can be appealed in court. Between 2016 and 2022, 35 decisions were judged at the First Administrative Court, 12 at the Administrative Appeal Court, and 8 at the High Court.

**Table 3.8 Competition enforcement statistics, 2016-22**

	2016	2017	2018	2019	2020	2021	2022
Initiation of case investigations (number)	8	14	13	12	16	12	11
(i) Cases concerning anti-competitive agreements	4	3	4	4	7	7	6
(ii) Cases concerning abuse of dominance	3	11	6	5	7	4	5
(iii) Leniency applications	0	0	0	0	0	0	0
(iv) Notifications of mergers and acquisitions	11	16	30	24	19	31	46
Completed cases (decisions)	52	47	87	93	87	94	99
(i) Anti-competitive agreements	7	2	8	4	7	28	5
(ii) Abuse of dominance	5	9	14	11	7	16	8
(iii) Settlements	0	0	0	0	0	0	0
(iv) Mergers and acquisitions	12	16	30	24	19	31	50
Infringement penalties (ALL million)	0	0	49.7	0	16.0	7.5	224.0
Appeals (number of completed judicial review decisions)	0	7	10	2	3	20	8

Source: ACA.

### Price controls

3.89. For most of the review period, there were no price controls in effect in Albania, but as a response to the war in Ukraine, the authorities established temporary rules for transparency and the price monitoring of oil, gas, and their by-products, as well as some basic food products by newly established Price Monitoring Boards during the state of emergency.<sup>78</sup> The Acts tasked the two Price Monitoring Boards to (i) set maximum prices for certain energy products; and (ii) monitor prices and determine and publish profit margins for in basic food products basic products (in particular sunflower oil, rice, flour, and sugar), to be mandatorily applied by relevant wholesalers and retailers. Non-compliance with these price ceilings or profit margins could be sanctioned.<sup>79</sup> In February 2023, the mechanism relating to prices of basic food products was repealed by the Constitutional Court of the Republic of Albania, while that for energy products has not applied since June 2023.

3.90. Also, prices for some key backbone services (telecommunications services, water, and electricity) are regulated. In telecommunications, the regulator can impose certain regulated prices (Section 4.3.2). Regarding water, the Water Regulatory Authority regulates service tariffs and approves water sale prices and tariffs, as well as tariffs for wastewater and its treatment. It approved a new tariff setting document that has applied since 2022 and contains a "cost plus" tariff methodology and a new "price cap" methodology, with tariffs being suggested by operators and approved by the Authority.<sup>80</sup> While water and wastewater services are only supplied from state-owned companies, the methodologies would evenly apply to SOEs and private companies. The Energy Regulatory Authority regulates tariffs for electricity transmission and distribution, end-user prices for electricity provided by Universal Service Suppliers (no prices using high-voltage connections are regulated as of 2022), and purchase prices from relatively small "priority power producers".<sup>81</sup> It also regulates gas transmission tariffs.

<sup>78</sup> Council of Ministers Normative Acts No. 5/2022 (energy products) and No. 7/2022 (basic food products).

<sup>79</sup> Such margins were published by the Board on the webpage of the Ministry of Finance and Economy, but no fines were imposed. For example, see Ministry of Finance and Economy, *Decision of the Transparency Board of Basket Products Dated 4.5.2022*. Viewed at: <https://financa.gov.al/vendimi-i-bordit-te-transparences-se-produkteve-te-shportes-date-4-5-2022/>.

<sup>80</sup> Water Regulatory Authority Decision No. 539, 30 December 2021.

<sup>81</sup> Priority power producers benefit from support under the Law on the Promotion of the Use of Energy from Renewable Sources (Section 4.2).



### 3.3.5 State trading, state-owned enterprises, and privatization

3.91. During the review period, Albania did not maintain any state trading enterprises within the meaning of Article XVII of the GATT 1994.<sup>82</sup>

3.92. State-owned enterprises continued to play an important role in parts of the economy, in particular in backbone services such as transport, telecommunications, and energy, but also in certain social services, as well as in the marketing of some goods. They can be owned by the Ministry of Finance and Economy, other central government entities, or local institutions.

3.93. The Ministry of Finance and Economy holds a majority ownership in 14 joint stock companies (JSCs), 12 of which it owns fully. The Ministry is the minority owner in another 12 JSCs, and 15 limited liability companies (LLCs) (Table 3.9). Various central and local institutions also continue to hold ownership in additional enterprises that are either JSCs with majority or minority ownership or LLCs. These include enterprises in strategic sectors such as energy and oil processing, as well as water and sewage companies. During the review period, there were a number of changes to the structure and ownership of SOEs, with a number of JSCs merged or liquidated, or their ownership transferred to other state institutions. Employment of central government SOEs accounted for 1.6% of total employment in 2021. Albania maintains a partial list of SOEs online, which does not include employment or financial information.<sup>83</sup>

**Table 3.9 Majority state-owned joint-stock enterprises, 2022 (at central level)**

(ALL million)

Company	Activity	Sales volume	Net profit	Ministry	State ownership (%)
Agrokredit, Tiranë	Granting loans	208.4	-36.0	Ministry of Finance and Economy (MoFE)	100
Alba Film Studio	Leasing (visual media) and management of film archive	0	-1.6	Ministry of Culture	100
Albcontrol, Tiranë	Provision of air traffic control services	2,748.2	513.5	MoFE	100
Albgaz	Transmission and distribution of natural gas	0	0	Ministry of Infrastructure and Energy (MIE)	100
Albp petrol	Oil extraction and implementation of hydrocarbon agreements	95,892 tonnes of crude oil	16.2	MIE	100
Hekurudha Shqiptare, Durrës	Rail transport (passenger and freight)	86.8	-427.1	MoFE	100
KESH	Electricity generation and trading	5,700 TWh	-220 (EUR million)	MIE	100
Korporata e Investimeve Shqiptare, Tiranë	Making investments by mobilizing state and/or private capital	0	-19.5	MoFE	100
Lanabregas	Electricity generation	..	..	MIE	100
Operatori i Sistemit të Transmetimit, Tiranë	Transmission of electricity	8,922.4	922.1	MoFE	100
OSHEE	Sale and distribution of electricity	73,259	5,229	MIE	100
Porti Detar Sarandë	Port services	39.1	-51.1	MoFE	100
Porti Detar Shëngjin	Port services	73.2	-28.9	MoFE	100
Porti Detar Vlorë	Port services	93.6	-55.5	MoFE	100
Posta Shqiptare, Tiranë	Postal services	2,737.3	-40.3	MoFE	100
Prodhim Mobilje, Tiranë	Leasing (tire sales)	16.7	-29.0	MoFE	100

<sup>82</sup> WTO documents [G/STR/N/19/ALB](#), 2 November 2022; and [G/STR/N/16/ALB](#), [G/STR/N/17/ALB](#), [G/STR/N/18/ALB](#), 3 September 2020.

<sup>83</sup> OECD (2021), *Competitiveness in South East Europe 2021 – A Policy Outlook*, Chapter 9. Viewed at: <https://doi.org/10.1787/dcbc2ea9-en>. See also INSTAT, *Public Sector Classification Process*. Viewed at: [https://www.instat.gov.al/media/10496/sektori-publik\\_viti-2021.xls.xlsx](https://www.instat.gov.al/media/10496/sektori-publik_viti-2021.xls.xlsx).

Company	Activity	Sales volume	Net profit	Ministry	State ownership (%)
Regjistri Detar, Durrës	Registration of vessels	47.1	13.6	MoFE	100
Shtypshkronja e Letrave me Vlerë, Tiranë	Printing of securities	187.7	24.6	MoFE	100
Trajtimi Studentëve, Korçë	Student accommodation and services	17.9	-13.2	MoFE	100
Trajtimi Studentëve, Vlorë	Student accommodation and services	43.0	-5.7	MoFE	100
Qendra e Regjistrimit të Aksioneve	Registration of stocks	6.5	-3.1	MoFE	85
Tregu i shitjes me shumicë Fruta-Perime, Shkodër	Marketing fruits and vegetables	7.6	-3.7	MoFE	67

.. Not available.

Source: Ministry of Finance and Economy.

3.94. SOEs benefit from direct transfers and indirect budget support including public guarantees, with such contingent liabilities accounted for in the debt stock. According to the IMF, the SOEs in the electricity sector on average received transfers of 0.4% of GDP per year, but received much larger subsidies to the tune of 1.3% of GDP in 2022 to compensate for higher import electricity prices as a result of the war in Ukraine.<sup>84</sup> Overall, outstanding loans and guarantees to SOEs in the economy at the end of 2022 amounted to ALL 57 billion (of which ALL 37 billion were loans), nearly all for the power and water sewerage sectors.

3.95. A 2018 OECD assessment of SOEs in Southeast Europe found that Albanian SOEs performed relatively poorly in terms of efficiency and governance, while ranking better in terms of transparency and accountability.<sup>85</sup> No central institution overseeing the performance of all SOEs is in place with SOEs reporting certain budget and performance data to their General Assemblies (i.e. owners) and each Ministry responsible for the SOEs it owns. While general rules were put in place in 2018, until 2022 there were no rules regarding the independence of, nor specific qualifications requirements in place concerning the composition of, SOE Boards of Directors, which are jointly appointed by the owner and administrator of each SOE. Vice Ministers or other civil servants are frequently part of these boards. In 2022, an Instruction by the Minister of Finance and Economy established certain rules for the appointment and functioning of Boards in State-Owned Joint Stock Companies.<sup>86</sup> Board members have to be employees of central state institutions with at least five years of experience, with certain additional requirements to prevent conflicts of interest. There are no additional technical qualification requirements in place.

3.96. Privatization continues to be guided by two 1998 laws, as amended, focusing on companies operating in non-strategic sectors on the one hand, and on sectors of strategic importance on the other. Privatizations are administered by the Ministry of Finance and Economy (taking over this role from the National Agency for Privatization in 2006), and between 2015 and 2022, three SOEs<sup>87</sup> and other assets have been privatized, valued approximately at ALL 5 billion. SOEs owned by other central Ministries would be privatized by those Ministries, according to the authorities. Maintaining domestic ownership in an enterprise is considered a rationale for state ownership.<sup>88</sup>

### 3.3.6 Government procurement

3.97. Government procurement spending in Albania increased from 7% of GDP in 2017 to 8.9% in 2021 but was significantly higher at 14.7% in 2020 in response to the 2019 earthquake and the COVID-19 pandemic (Table 3.10). Albania applied for accession to the WTO Agreement on

<sup>84</sup> IMF Country Report No. 22/362.

<sup>85</sup> OECD (2018), *Competitiveness in South East Europe – A Policy Outlook*, Chapter 6.

<sup>86</sup> Ministry of Finance and Economy Instruction No. 11/2022. Viewed at: <http://qbz.gov.al/eli/udhezim/2022/04/04/11>.

<sup>87</sup> They were one majority-owned JSC, one minority-owned JSC, and one LLC.

<sup>88</sup> OECD (2021), *Competitiveness in South East Europe – A Policy Outlook*, p. 266.

Government Procurement in 2001. While the accession process had been inactive since 2007, the authorities in 2023 indicated that they would reactivate it.<sup>89</sup>

**Table 3.10 Government procurement, 2017-22**

(ALL million)

Year	Level	Total value of procurement published	Share of GDP (%)	Procurement subject to international competitive bidding (above high monetary threshold)	
				Total value	Share of total procurement (%)
2017	Total	109,620	7.0	11,150	10.0
2018	Total	129,820	7.8	8,779	6.8
2019	Total	110,664	6.5	15,591	14.0
2020	Total	264,072	14.7	120,617	46.0
2021	Total	149,320	8.9	63,932	42.8
2022	Total	170,201	9.4	90,135	53.0

Note: No breakdown for central, subcentral, and other government procurement was available. Data include all government procurement above the monetary thresholds for small value procurements (ALL 1 million).

Source: Public Procurement Agency.

3.98. The share of procedures awarded without the publication of a public notice declined from 38.8% in 2015 to 3.3% in 2022, and their value from 12.1% to 0.7% as the use of the electronic procurement system became also mandatory for the negotiated procedure in 2018. During 2020, the year with significantly higher government procurement expenditures due to the earthquake and the COVID-19 pandemic, the share of non-public tenders<sup>90</sup> overall was higher at 8.4%, primarily driven by emergency-related tenders. At around 3%, the share of non-public tenders among the non-emergency related tenders remained in line with the share of non-public tenders in other years.

3.99. During the review period, the authorities undertook major reforms of the government procurement framework in efforts to align it with the framework in place in the European Union. In 2020, they approved a Government Procurement Strategy for the period 2020-23 which, *inter alia*, aims to ensure efficient and sustainable government procurement, improve the Public Private Partnership (PPP) framework, and establish an efficient complaint review system.<sup>91</sup>

3.100. The Association Agreement with the European Union<sup>92</sup> foresees mutual opening of the Albanian and EU government procurement markets for suppliers established in either of both parties. It further foresees the alignment of Albanian laws to the EU *acquis*. FTAs with CEFTA and the United Kingdom also include provisions on market opening for government procurement, while those with EFTA and Türkiye only include provisions on transparency.

### 3.3.6.1 Legal framework

3.101. Three laws regulate government procurement in Albania: (i) the new Public Procurement Law (Law No. 162/2020) was approved in late December 2020 and entered into force in March 2021, repealing the earlier Law No. 9643/2006; (ii) the Law on Concessions and Public Private Partnerships (Law No. 125/2013), amended by Law No 50/2019; and (iii) Law No. 36/2020 on Defence and Security Procurements, approved by Parliament in April 2020.

3.102. The Public Procurement Agency under the Prime Minister oversees the implementation of government procurement overall and its compliance with the laws; can take remedial action in case of violations, analyses, and reports on government procurement data; and makes relevant legal

<sup>89</sup> WTO, GPA: Parties and Observers. Viewed at: [https://www.wto.org/english/tratop\\_e/gproc\\_e/memobs\\_e.htm](https://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm).

<sup>90</sup> Using a negotiated procedure without prior publication of contract notice.

<sup>91</sup> National Strategy for Public Procurement for 2020-23 and an action plan for its implementation, approved by Council of Ministers Decision No. 850/2020.

<sup>92</sup> Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Albania, of the other part.

proposals. The Public Procurement Commission (PPC), established in 2009 and since 2017 an independent institution financed from the budget, reports to the National Assembly and reviews procedural complaints under the Public Procurement Law if a review by the contracting authority has not led to a resolution (under the new law, complaints are simultaneously submitted to the contracting authority and the PPC). It also reviews complaints under the Concessions and PPP Law. Decisions taken by the Commission are final but can be appealed in the Court of Appeals. Certain provisions against potential conflicts of interest or influencing the Commission's members are in place. In 2022, the Government reformed the State Agency for Centralized Procurement. The State Agency is subordinate to the Ministry of Interior and centrally procures certain consumable goods such as vehicles, fuel, clothing, or insurance for most government entities with some exceptions (e.g. procurement by the Ministry of Defence or that of fuel for use by farmers).<sup>93</sup>

3.103. The Public Procurement Law largely transposes relevant EU legislation, in particular Directive 2014/24/EU on Public Procurement and Directive 2014/25/EU on Procurement by Entities Operating in the Water, Energy, Transport and Postal Services Sectors.<sup>94</sup> It covers government procurement by contracting authorities<sup>95</sup>, including government-owned or -controlled entities, and establishes three thresholds for government procurement of contracts of high value (above ALL 650 million for works, or 40 million for goods and services), low value (above ALL 12 million for works, or 10 million for goods and services), and small value. Procurement below this threshold of ALL 100,000 (EUR 860) are not subject to procurement procedures. Article 3 of the Public Procurement Law spells out that procurement is to be undertaken in a transparent manner and without discrimination to ensure competition. According to the authorities, there are no preferences for local suppliers in place, or differentiation based on nationality.

3.104. The new law introduced significant changes to the previous framework, including clarification and broadening of the application of the law (*inter alia*, regarding exemptions, mixed procurement, or contract modifications), increasing transparency, streamlining information submission and contract management, aligning certain terminology and procurement procedures with those outlined in the relevant EU Directives, adding competencies regarding monitoring to the Purchase Power Agreement (PPA), and improving rules regarding complaints (including the introduction of a stand-still provision).<sup>96</sup>

3.105. All notices must be published in the electronic procurement system and in abbreviated form in the Public Notices Bulletin, with notices above the upper monetary threshold (as well as other notification depending on commitments made to the European Union) also published in the Official Journal of the European Union.<sup>97</sup> Since mid-2021, operators can also file complaints online using the e-Albania system.

3.106. The Concessions and PPP Law regulates the agreements of PPPs in sectors usually covered by PPP laws, including sectors such as tourism or agriculture. The law was amended in 2019, primarily regarding approval and other administrative processes.<sup>98</sup> The Council of Ministers may expand the scope of the law to other sectors based on proposals from line Ministries or other government entities.<sup>99</sup> Certain activities, such as immovable property or air transport services, are excluded from the provisions. Contracting authorities are allowed to open tenders based on unsolicited proposals although the reforms in 2019 aimed to significantly reduce their use.<sup>100</sup> Until 2019, authorities were able to grant the proposing economic entity a certain bonus during the evaluation of unsolicited proposals. As part of the 2019 amendment, the sectors eligible for unsolicited proposals were limited to certain backbone infrastructure, and also only losing bidders can now be compensated for feasibility studies undertaken (up to a value of 1% of the final

<sup>93</sup> Council of Ministers Decision No. 393/2022.

<sup>94</sup> SIGMA/OECD (2021), *Monitoring Report: The Principles of Public Administration, Albania*, pp. 155-156. Viewed at: <https://www.sigmaweb.org/publications/Monitoring-Report-2021-Albania.pdf>.

<sup>95</sup> Contracting authorities are defined as government institutions (including local self-governments) as well as non-commercial entities primarily funded by the Government such as government-owned or -controlled enterprises. Such authorities are called contracting entities where they relate to the procurement of sectoral contracts (gas and heating, electrical power, water supply, transportation services, ports and airports, and postal services). Law No. 162/2020, Article 4.

<sup>96</sup> Albanian Institute of Science (2022), *Public Procurement – Albania through the Lens of European Integration*. Viewed at: <https://ais.al/new/wp-content/uploads/Public-Procurement-Policy-Paper-AIS.pdf>.

<sup>97</sup> Law No. 162/2020, Article 56.

<sup>98</sup> Law No. 50/2019.

<sup>99</sup> Law No. 125/2013, Article 4.

<sup>100</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*, pp. 54-55.

investment value). Procedures for PPP generally follow some of the procurement methods defined in the Public Procurement Law. In its latest Article IV report, the IMF stressed the importance of ensuring that the Ministry of Finance and Economy play a stronger role in PPP selection and there is a stronger link with public investment management to maximize value for money and limit related fiscal risks.<sup>101</sup>

3.107. The Law on Defence and Security Procurements generally follows the relevant EU Directive.<sup>102</sup> While Article 1 spells out the scope for contracts related to the fields of defence and security, some commentators have pointed to a broad range of provisions applicable in a wide array of situations, allowing such procurement to be undertaken outside the regulatory framework thus limiting transparency.<sup>103</sup> In 2022, 18 contracts were signed under related procedures.<sup>104</sup>

3.108. Over the review period, the Government also continued to adapt secondary legislation, including issuing revised government procurement rules in 2021, replacing earlier rules.<sup>105</sup>

### 3.3.6.2 Procurement methods, procedures, and outcomes

3.109. The Public Procurement Law defines the following procurement methods for procurement above the low-value threshold (with timelines varying for those above the high-value threshold): (i) open procedure; (ii) restricted procedure; (iii) competitive negotiated procedures; (iv) partnership for innovation; (v) competitive dialogue; (vi) negotiated procedure with prior publication of contract notice; (vii) negotiated procedure with prior contract notice (for sectoral procurement); (viii) negotiated procedure without prior contract notice; (ix) simplified open procedure; and (x) consultancy services. A special procurement regime applies to social services.<sup>106</sup> Procurement methods also apply to framework agreements, and legislation also foresees the use of dynamic purchasing systems and electronic auctions. For certain procurements that relate to state secrets or would require the publication of certain, not clearly defined, sensitive information, the law states that a "classified" procurement method can be used.<sup>107</sup>

3.110. For procurement below the low-value threshold (i.e. for small-value procurements), a simplified procedure is defined in the procurement rules.

3.111. During the review period, the value of procurement using the negotiated procedure declined from 12.1% to 0.7%, while that using framework agreements increased from 0.3% to 30.6% (Table 3.11).

**Table 3.11 Value and share of contracts awarded under different government procurement methods, 2015-22**

(ALL million (value) and % (share))

Procurement method		2015	2016	2017	2018	2019	2020	2021	2022
Framework Agreement	Value	168	951	555	10,707	20,521	39,428	43,006	55,041
	Share	0.3	1.0	0.6	10.0	19.9	21.6	18.9	30.6
Dynamic purchasing system and electronic auction	Value	0	0	0	253	376	59	124	302
	Share				0.2	0.4	0	0.1	0.2
Open procedure (paper and electronic formats)	Value	62,389	86,364	82,242	90,302	79,360	99,592	125,658	89,647
	Share	87.6	90.5	89.7	84.6	76.8	54.7	55.1	49.9

<sup>101</sup> IMF Country Report No. 22/362, p. 13.

<sup>102</sup> Law No. 36/2020; and European Union Directive 2009/81/EC.

<sup>103</sup> Centre for European Security Studies (2022), *Elusive Standards: Governance and Oversight of Security Sector Procurement in Albania*, CESS Policy Brief No. 7. Viewed at: [https://cess.org/wp-content/uploads/2022/05/CESS-Policy-Brief\\_7-2022\\_EN.pdf](https://cess.org/wp-content/uploads/2022/05/CESS-Policy-Brief_7-2022_EN.pdf).

<sup>104</sup> Public Procurement Agency, *Annual Report 2022*. Viewed at: <https://www.app.gov.al/about-us/annual-reports/>.

<sup>105</sup> Council of Ministers Decision No. 285/2021.

<sup>106</sup> Council of Ministers Decision No. 768/2021 on Determining the Types of Social Services and Other Specific Services, Types of Special Services, for which the Right of Participation of Organizations in Government Procurement Procedures Can Be Reserved, as well as Detailed Rules for their Procurement.

<sup>107</sup> Law No. 162/2020, Articles 10 and 12.

Procurement method		2015	2016	2017	2018	2019	2020	2021	2022
Simplified open procedure	Value	0	0	0	0	0	0	3,132	7,823
	Share							1.4	4.4
Restricted procedure (paper and electronic formats)	Value	82	0	0	0	0	35,113	47,049	24,070
	Share	0.1					19.3	20.6	13.4
Consultancy service	Value	7	28	1,332	1,493	763	1,974	2,583	1,531
	Share	0	0	1.5	1.4	0.7	1.1	1.1	1.0
Negotiated procedure (without prior publication)	Value	8,611	8,029	7,577	3,964	2,281	5,985	6,512	1,274
	Share	12.1	8.5	8.3	3.7	2.2	3.3	2.9	0.7
<b>Total value</b>		<b>71,257</b>	<b>95,372</b>	<b>91,704</b>	<b>106,719</b>	<b>103,301</b>	<b>182,151</b>	<b>228,065</b>	<b>179,687</b>

Source: Information provided by the authorities.

3.112. The share of the value of procurement contracts won by foreign suppliers was below 1% in 2019 and 2020 but reached 12.5% in 2021.

### 3.3.6.3 Enforcement

3.113. During the review period, the PPC reviewed 7,993 cases (out of 8,219 raised) and took decisions for 6,173 cases. Following the introduction of the new Public Procurement Law, complaints are submitted to the contracting authority and the PPC at the same time, with the PPC only reviewing them in case a review by the contracting authority does not lead to a resolution. The number of complaints raised and reviewed per year declined during the review period and stood at below 800 in each of the last 3 years. Of the nearly 3,800 rejected claims during the review period, 491 decisions were appealed to the court and among those the claimant won in 87 cases.

### 3.3.7 Intellectual property rights

3.114. Albania continued its efforts to align its IP-related regulatory framework to the EU *acquis*, with the most notable changes being the revision of the Law on Industrial Property and the adoption of a new Copyright Law. As described in the previous Review, key commitments originated in the SAA, but the newly starting accession process is expected to provide further impetus to the efforts of aligning national laws to the EU *acquis*. According to the European Union's 2022 assessment of the IPR framework, the alignment remains incomplete.<sup>108</sup>

3.115. Since 2017, the General Directorate of Industrial Property (GDIP), an autonomous agency under the Ministry of Finance and Economy, and the Copyright Directorate at the Ministry of Culture, are the main institutions for intellectual property rights (IPRs). This represents a small change from the structure in place at the time of the previous Review. The GDIP replaced the General Directorate of Patents and Trademarks (GDPT) following an amendment of the Law on Industrial Property (Law No. 9947/2008) by Law No. 17/2017. That law also increased the autonomy of the GDIP by giving it own revenues and budgetary independence, with profits distributed to the State. In 2016, the Copyright Office was transformed into the Copyright Directory at the Ministry of Culture and remains responsible for proposing and drafting strategies and the legal framework concerning the protection, exercise, and enforcement of copyright and related rights. The Directorate also licences and supervises collective management organizations (CMOs) and administers a database on copyright and other rights. Copyright enforcement was transferred to the Inspectorate for Market Surveillance (SIMS) in 2016 (see below).

3.116. For most of the review period, the National Strategy on Intellectual Property (2016-20) guided policy making, with a new Strategy for 2022-25 approved in 2022.<sup>109</sup> In the context of the process of European integration, the new Strategy foresees the drafting of a separate law for each object of industrial strategy, which would significantly overhaul the existing IPR framework.

3.117. In 2018, Albania acceded to the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, the Locarno Agreement Establishing an

<sup>108</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

<sup>109</sup> Council of Ministers Decision No. 350/2022.



International Classification for Industrial Designs, and the Lisbon Agreement on the protection of designations of origin and their international registration, as well as the Geneva Act of the Lisbon Agreement on designation of origin and geographical indications. These add to the large number of treaties and conventions to which Albania is a party<sup>110</sup>, which include being a member of the European Patent Organization (EPO), the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works. Albania is also collaborating with the European Union Intellectual Property Office (EUIPO).

3.118. Albania is a net importer of IP although its exports grew significantly faster than its imports during the review period (Table 1.3). Imports of IP royalties and licence fees increased from EUR 22.2 million in 2015 to EUR 29.4 million in 2021, while exports increased from EUR 1.8 million to EUR 16.5 million.

### 3.3.7.1 Domestic IP regime and recent developments

3.119. The main IP-related objective in Albania is to stimulate economic, scientific, and cultural development, while balancing the rights of IP owners with the interests of users.<sup>111</sup> The legal framework primarily consists of Law No. 9947/2008 on Industrial Property (last amended by Law No. 96/2021) and Law No. 35/2016 on Copyright and Related Rights (last amended by Law No. 37/2022). The framework is complemented by Law No. 8880/2002 on Plant Breeders' Rights (last amended by Law No. 68/2013) and Law No. 8488/1999 on the Protection of Topographies of Integrated Circuits (last amended by Law No. 66/2014), as well as relevant secondary legislation. Some of laws and secondary legislation underwent revisions during the review period, primarily to harmonize the framework with the EU *acquis*. Table 3.12 provides an overview of the main features and legal basis of various IPR objects. The protection of patents, trademarks, and copyrights applies to national and foreign citizens equally.

**Table 3.12 Main features of the IPR regime**

IPR	Patents	Trademarks	Industrial designs	GIs	Copyrights and related rights
Object of protection	A new process or product	A distinctive sign	Appearance of a product or part thereof	Geographical name designating a product whose specific quality, reputation, or other characteristics can be attributed to geographical origin	Literary, artistic, and scientific works
Term of protection	20 years from filing date	10 years with unlimited possibility of renewal	25 years from filing date	5 years with unlimited possibility of renewal	General term: lifetime of author plus 70 years after death; term varies by type or nature of work
How to obtain protection	By registration	By registration	By registration	By registration	Automatically with the creation of the work
Who can get protection	Any natural or legal person	Any natural or legal person	Creator or legal substitute	A group acting in the delimited area, regardless of the legal form of organization	Author and/or rights holder
Rights conferred	Exclusive right	Exclusive right	Exclusive right	Right of use	Exclusive moral and economic rights

<sup>110</sup> For an overview of conventions and treaties on IPRs to which Albania was a party at the time of the previous Review, see WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, p. 67.

<sup>111</sup> National Strategy for Intellectual Property 2022-25.



IPR	Patents	Trademarks	Industrial designs	GIs	Copyrights and related rights
Legal basis (law)	No. 9947/2008 on Industrial Property	No. 9947/2008 on Industrial Property	No. 9947/2008 on Industrial Property	No. 9947/2008 on Industrial Property	No. 35/2016 on Copyright and Related Rights
Last amended by law	No. 96/2021	No. 96/2021	No. 96/2021	No. 96/2021	No. 37/2022

Source: WIPO Lex. Viewed at: <https://www.wipo.int/wipolex/en/main/legislation>; and relevant laws.

3.120. The legal framework for patents and industrial designs did not change significantly during the review period, but amendments to the Law on Industrial Property in 2021 introduced the concept of trade secrets into the framework.<sup>112</sup> According to the authorities the contained provisions largely align the legal framework with the EU *acquis* in this area, in particular Directive (EU) 2016/943. Industrial designs are only protected following their registration, and they are currently not protected for a transition period after having first been made available publicly, as in the EU framework. Patent bulletins are published on average 4 times a month, with the average time for a patent to be granted around 21 months.

3.121. In addition to a regular process for the granting of compulsory licences under strict conditions outlined in Article 50, Article 51 of the Law on Industrial Property also allows the Ministry of Defence and the Ministry of Health to directly grant compulsory licences for reasons of national security, also against compensation. Such decision can be appealed. As at the time of the previous Review, the registration of inventions relating to "state secrets" continues to be undertaken by the Ministry of Defence, with the Ministry having the right to use the patent, subject to compensation to the rights holder. As previously, there have been no applications for such patents during the review period.

3.122. In terms of trademarks, the regulatory framework was adapted during the review period to further clarify restrictions on the registration and use of domestic trademarks that would infringe the rights of "well-known" trademarks of wide territorial use.<sup>113</sup> Council of Ministers Decision No. 315/2018, repealing Decision No. 1706/2008, spells out some general criteria to assess whether a trademark can be considered well-known. Trademark bulletins are published twice a month. According to the authorities, a new law on trademarks is being drafted and is expected to be adopted in December 2023.

3.123. Regarding geographic indications (GI), amendments to the Law on Industrial Property by Law No. 17/2017 changed the application process for a GI or designation of origin (DO) to be made generally by groups (rather than by individuals, as was the case previously), except in very specific circumstances and determined a competent authority for the assessment of applications. Applications from foreign producers for registration of GIs have to be accompanied by evidence that the GIs are protected in the country of origin. The Ministry of Agriculture is responsible for the assessment of all applications, with the GDIP registering GIs and DOs in case of a positive assessment from the Ministry. All registered GIs and DOs are published in the IP register.

3.124. At the time of the previous Review, a new Law on Copyright and Related Rights was being developed, aiming to ensure a better protection of copyright and related rights. Law No. 35/2016 on Copyright and Other Related Rights was adopted in 2016, replacing Law No. 9380/2005. According to the Law, the legislative framework is fully aligned with seven of the relevant EU Directives. The new law, *inter alia*, expanded the scope of copyrighted works and authorship, introduced a simplified system for the payment of licence fees, and introduced certain remedial measures for rights holders (including the ability to apply for a preliminary injunction).<sup>114</sup> The Law also adjusted the way CMOs are regulated, which require a licence from the Ministry of Culture. The new law was amended in 2022, addressing challenges that had emerged regarding the functioning of CMOs and further aligning the legal framework with the EU *acquis*, including regarding orphan

<sup>112</sup> Amendments by Law No. 96/2021.

<sup>113</sup> Law No. 9947/2008, Article 143, as amended by Law No. 17/2017.

<sup>114</sup> WIPO (2016), "Albania: Law No. 35/2016 of March 31, 2016, on Copyright and Related Rights", 20 October. Viewed at: [https://www.wipo.int/news/en/wipolex/2016/article\\_0017.html](https://www.wipo.int/news/en/wipolex/2016/article_0017.html).

works and the use of copyrights and other rights for the benefit of persons who are blind, visually impaired, or otherwise print-disabled.<sup>115</sup>

3.125. There are currently no provisions in place regarding the infringement of copyrights online.

3.126. The application for the registration of copyright or the transfer of copyright can be made through the e-Albania system since 2020, and those for patents, trademarks, industrial designs, and GIs since 2022.

3.127. During the review period, Albania submitted two notifications regarding modifications to its IP regime, in particular the copyright regime, to the TRIPS Council in 2021, and they notified contact points in 2020.<sup>116</sup> Other legislative changes referred to in this section had not been notified at the end of August 2023.

3.128. Overall, during the review period the use of IPRs has varied without strong trends.<sup>117</sup> The annual number of patents filed ranged from 3 to 52, according to WIPO, while the GDIP reported between 580 and 925 patent applications per year, a figure that includes European patents requiring validation in Albania (Table 3.13). According to the authorities, the Copyright Directorate has received more than 1,500 requests for the registration of copyrights since 2016. During the period 2016-22, 62 cases were appealed to the courts, 5 cases being in the Administrative Court of First Instance of Tirana, 50 were appealed to the Administrative Court of Appeal, 3 final decisions were taken, and 4 cases being at the Supreme Court.

3.129. Since 2021, the GDIP has maintained the Industrial Property Database electronically, according to Articles 183/a and 183/b of the amended Law on Industrial Property.

**Table 3.13 IPR protection, by type, 2016-22**

(Number)

	2016	2017	2018	2019	2020	2021	2022
<b>Applications</b>							
Patents	745	813	921	914	898	948	619
Industrial designs	9	12	16	16	15	49	19
Topographies of integrated circuits	-	-	-	-	-	-	-
Trademarks	1,055	1,161	1,294	1,157	1,164	1,404	1,165
Trademarks via Madrid Protocol	2,207	2,264	2,463	2,230	2,157	2,102	2,066
Geographical indications	2	6	2	3	-	-	-
Appellations of Origin	-	-	-	-	1	1	1
Utility models	4	1	2	1	2	3	3
<b>Registrations</b>							
Patents	678	770	825	970	842	924	634
Industrial designs	2	12	8	12	13	14	37
Topographies of integrated circuits	-	-	-	-	-	-	-
Trademarks	1,053	803	810	978	1,115	1,246	963
Trademarks via Madrid Protocol	2,401	2,732	2,843	2,649	2,721	2,443	2,597
Geographical indications	-	5	3	2	1	-	-
Appellations of Origin	-	-	-	-	-	-	1
Utility models	1	3	2	2	-	1	1
<b>Board of Appeals</b>	<b>74</b>	<b>94</b>	<b>10</b>	<b>22</b>	<b>32</b>	<b>23</b>	<b>39</b>

- Nil.

Source: General Directorate of Industrial Property.

<sup>115</sup> Law No. 37/2022.

<sup>116</sup> WTO, e-TRIPS Gateway. Viewed at: <https://e-trips.wto.org/>.

<sup>117</sup> WIPO, *Intellectual Property Statistical Country Profile 2021: Albania*, last updated March 2023. Viewed at: <https://www.wipo.int/edocs/statistics-country-profile/en/al.pdf>.

### 3.3.7.2 Enforcement

3.130. An Inspectorate for Market Surveillance (SIMS) was established in 2016, tasked with guaranteeing the protection of intellectual property (IP) in the domestic market.<sup>118</sup> The first inspections regarding infringements of copyright and related rights, as well as those relating to the violation of industrial property rights or trademarks, started in 2017 and generally increased during the review period (Table 3.14). The significant number of industrial property inspections in 2018 aimed to establish a database of IP users, with inspections subsequently based on complaints filed. Since 2018, SIMS has also imposed administrative measures (fines and warnings) following such investigations. Total fines imposed amounted to ALL 6.4 million in 2022. Where administrative measures are imposed, affected parties can appeal these decisions before the Appeal Commission at SIMS and that Decision before the Administrative Court of the first instance. As of May 2023, the authorities indicated that 70% of appeals were rejected between 2020 and 2022.

**Table 3.14 IP-related cases, 2016-22**

(Number, unless otherwise specified)

Description	2016	2017	2018	2019	2020	2021	2022
<b>IPR-related cases led by the Inspectorate for Market Surveillance</b>							
Criminal proceedings initiated	..	..	..	..	..	..	..
Inspections relating to infringements of copyright and related rights	0	232	401	386	384	513	350
Inspections relating to violation of industrial property rights, including trademarks	0	0	336	2	12	11	107
Administrative measures imposed							
Copyright	0	0	105	40	28	80	44
Industrial property			74	2	8	8	29
Fines imposed (ALL million)	0	0	15.0	3.6	3.4	7.1	6.4
<b>IPR-related cases led by Customs</b>							
Applications for action (AfA) registered in the Customs register	72	86	97	105	108	115	127
Detentions (based on AfA and/or <i>ex officio</i> procedure)	7	9	8	6	4	3	3
Seizures (goods susceptible to be counterfeited or pirated) (ALL million)	17.3	254.8	13.8	24.1	21.9	3.1	5.8
Destroyed counterfeited products (ALL million)	1.0	2.2	1.7	1.6	1.2	0.4	1.8
Otherwise disposed – donations (ALL million)	0	0	0	0	0	0	0

.. Not available.

Source: Information provided by the authorities.

3.131. Revisions to the Law on Industrial Property in 2021 clarified procedures for handling complaints and requests from rights holders as well as regarding *ex officio* inspections on the domestic market. According to the authorities, a methodology for risk analysis and assessment was drafted in 2022, and SIMS started to undertake *ex officio* inspections in September 2022. Following these developments, SIMS for the first time took two decisions regarding permanent seizure and destruction of counterfeit goods in 2022.

3.132. As far as imports are concerned, rights holders can submit an application for action (AfA) to the General Customs Directorate, requesting to prohibit the release for circulation, or the exportation or re-exportation of counterfeited or pirated goods.<sup>119</sup> The Customs authorities also have the right to investigate IPR infringements *ex officio*<sup>120</sup>, and rights holders can submit an AfA when notified in case Customs has detained goods in such cases. Based on AfAs and subsequent investigations, Customs suspended the release of 3,000 products suspected of infringing IPR in 2021, a decrease from the more than 23,000 products in 2020.<sup>121</sup> Between 2016 and 2022, Customs also destroyed counterfeit goods valued at ALL 9.9 million (Table 3.14).

<sup>118</sup> SIMS was established by Council of Ministers Decision No. 36/2016. In addition to the tasks related to IP, it is also responsible for inspecting product marks in the domestic market.

<sup>119</sup> Council of Ministers Decision No. 651/2017 spells out related procedures.

<sup>120</sup> Customs, *Application for Action in Customs*. Viewed at: <https://www.dogana.gov.al/english/c/184/305/protection-of-intellectual-property>.

<sup>121</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.

3.133. Under the Penal Code, the unlawful production and distribution of industrial goods on a commercial scale are subject to a fine or imprisonment for up to two years (more when it had "serious" consequences), certain infringements of author's rights can be penalized by a fine or imprisonment of up to one year, and certain infringements of copyrights by fine or imprisonment of up to four years. During the review period, around eight persons were imprisoned following IPR violations.

## 4 TRADE POLICIES BY SECTOR

### 4.1 Agriculture, forestry, and fisheries

4.1. The agriculture, forestry, and fisheries sector remains an important pillar of Albania's economy, contributing around ALL 441 billion, or 19.9% of GDP, in 2022, a decline from the 22.6% the sector contributed in 2015. In 2021, the sector employed around 422,000 workers, or around 34% of total employment, yet a large decline from the roughly 41% it represented in 2015. The agricultural sector continues to be dominated by a large number of small farms, with only 14% of farms having an area of more than 2 ha.<sup>1</sup> According to some observers, the aggregation of small parcels is hampered by weak property rights.<sup>2</sup>

4.2. In total 688,000 ha were used as agricultural land in 2021, with 260,000 ha of those having access to irrigation infrastructure. The area used for forest increased during the review period, accounting for 1.1 million ha in 2021 and that for pasture and other land declining somewhat. According to FAOSTAT data, yields generally continued to increase during the review period.<sup>3</sup> Soil erosion continues to pose challenges.

4.3. During the review period, the total production in value of agriculture, forestry, and fisheries increased from ALL 407 billion in 2016 to ALL 441 billion in 2020 and ALL 474 billion in 2021. In volume terms, the production of field crops grew overall, with cereals broadly unchanged (691,000 tonnes in 2021), vegetables growing by around 20% to 1.34 million tonnes, and forage plants growing by around 15% to 7.1 million tonnes. The production of permanent crops also increased, dominated by fruit trees (287,000 tonnes), grapes (212,000 tonnes), and olives (110,000 tonnes). The production volume of meat and meat products declined marginally while the production of fishery products increased by nearly 50%, particularly as aquaculture production more than doubled.<sup>4</sup> Wood production remains dominated by firewood (nearly 900,000 m<sup>3</sup> in 2021).

#### 4.1.1 Agriculture

4.4. Albania is a net importer of agricultural products<sup>5</sup>, with imports growing from EUR 654 million in 2015 to EUR 1.1 billion in 2022 (14.1% of total imports), and exports growing from EUR 112 million in 2015 to EUR 315 million in 2022 (7.7% of total exports). In 2022, more than 60% of overall agricultural imports originated in the EU-27, followed by Serbia (10.8%) and Türkiye (4.6%). The largest import items were waters, cigarettes, wheat and meslin (mostly sourced from the Russian Federation although it accounted for a lower share than in 2015), and bread. Exports in 2022 were dominated by medicinal and aromatic plants, tomatoes, various vegetables (both fresh and preserved), bread, and some fruit (citrus and melons), with nearly half of agricultural exports destined to the EU-27, another 14.5% to Kosovo<sup>6</sup>, and 8.5% to the United States. Around 20% of agricultural exports (excluding fish) are classified as re-exports, nearly half of which were certain prepared or preserved vegetables destined to the EU-27.

##### 4.1.1.1 Regulatory framework and policy instruments

4.5. The Ministry of Agriculture and Rural Development (MARD) remains in charge of implementing agricultural policies, having changed its name in 2017 when the responsibilities regarding water administration moved from the Ministry of Agriculture, Rural Development, and Water Administration to the Ministry of Infrastructure and Energy (MIE).

4.6. Agricultural policy aims to primarily support economic activity and living conditions in rural areas by supporting agricultural enterprises and operators, and developing infrastructure, while

<sup>1</sup> Ministry of Agriculture and Rural Development (2022), *Rural Development Programme 2021-2027*. Viewed at: [https://bujqesia.gov.al/wp-content/uploads/2022/09/Programi-IPARD-III\\_2021-2027\\_English.pdf](https://bujqesia.gov.al/wp-content/uploads/2022/09/Programi-IPARD-III_2021-2027_English.pdf).

<sup>2</sup> World Bank (2022), *Albania Country Private Sector Diagnostic*.

<sup>3</sup> FAOSTAT, *Selected Indicators – Albania*. Viewed at: <https://www.fao.org/faostat/en/#country/3>.

<sup>4</sup> Institute of Statistics, *Agriculture and Fishery*. Viewed at: <https://www.instat.gov.al/en/themes/agriculture-and-fishery>.

<sup>5</sup> Agricultural products are not defined using the WTO definition due to data available with limited disaggregation.

<sup>6</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

aiming for environmental sustainability. It aims to increase exports, the production of agricultural and fishing products, and domestic value addition. The Strategy of Agriculture, Rural Development and Fishing for 2021-27 spells out objectives in greater detail, focusing on the sustainable development of agriculture and rural areas, fisheries and the blue economy, and includes cross-cutting objectives related to capacity, innovation, and digitization.

4.7. Law No. 9817/2007 on Agricultural and Rural Development continues to set the framework for policy interventions and support, establishing a permanent Programme for Agriculture and Rural Development, to be funded from the national budget, international donors, and municipal resources (Article 6). Specific details (including criteria, supported sectors, and measures) of the Programme are determined by annual decisions of the Council of Ministers, with the procedures and criteria for administering the Programme being taken by joint instruction of the Minister of Agriculture and Rural Development and the Minister of Finance and Economy, who are also in charge of implementing it. The Rural Agricultural Development Agency (AZHBR) implements a number of support programmes (Section 4.1.1.2).<sup>7</sup>

4.8. Over the review period, the Government continued to adapt its regulatory and support framework to EU practices as agreed under Article 95 of the Albania-EU Association Agreement. It also continued its reform agenda regarding land ownership with the adoption of Law No. 20/2020<sup>8</sup> and related implementing regulations, as well as a reform decentralizing the provision and management of irrigation and drainage that was formalized by Law No. 24/2017 on Irrigation and Drainage Administration.

4.9. Investments in the agricultural sector (into large agricultural farms) and into the fisheries sector can be considered strategic under the 2015 Law on Strategic Investments in the Republic of Albania. In such case, investments would be able to access certain investment-facilitating measures, benefit from government investments in certain ancillary infrastructure, or benefit from certain measures to access land (Section 2.4). Foreigners cannot purchase agricultural land, unless they set up a company registered in Albania, but they can lease such land for up to 99 years with the lease length depending on the type of activity.

#### **4.1.1.2 Domestic support**

4.10. Domestic support measures in Albania primarily consist of direct payments implemented by the AZHBR. The basic criteria, sectors to be supported, and detailed measures implemented under the Programme for Agriculture and Rural Development via the National Agricultural Support Scheme (NASS) are defined every year by Council of Ministers Decisions, with the programme administered by MARD through the AZHBR. Measures of support funded via the Scheme varied greatly between 2017 and 2023<sup>9</sup>, with the Law stressing that such payments should not work as price support measures. Total support provided between 2017-22 amounted to ALL 14.2 billion.<sup>10</sup> Other support schemes, such as those relating to primary irrigation, are implemented by MARD.

4.11. Since 2021, a fuel subsidy scheme for agricultural mechanization (oil scheme) in support of farmers is in place<sup>11</sup>, providing access to certain amounts of tax-free fuel to farmers active in growing certain crops, fruit trees, or vegetables.<sup>12</sup> In 2021, ALL 669 million was disbursed to farmers and the scheme was integrated into the NASS in 2022 and the envelope increased, with ALL 1.5 billion disbursed.<sup>13</sup> According to the authorities, total support provided under the tax-free fuel scheme in 2021-23 amounted to ALL 3.9 billion. In August 2022, support measures for the wheat and fishery sector were introduced into the NASS (Table 4.1).

<sup>7</sup> Rural Agricultural Development Agency website. Viewed at: <https://azhbr.gov.al/>.

<sup>8</sup> Law on the Termination of Transitional Ownership Processes in the Republic of Albania.

<sup>9</sup> Council of Ministers Decisions No. 137/2017, No. 72/2018, No. 128/2019, No. 100/2020, No. 1102/2020, No. 101/2022, and No. 125/2023.

<sup>10</sup> Information provided by the authorities.

<sup>11</sup> Viewed at: <https://azhbr.gov.al/skema-e-naftes/>.

<sup>12</sup> Council of Ministers Decision No. 1142/2020.

<sup>13</sup> Prime Ministers' Office, *Social Resistance Package, Protection and Support for Citizens and Business*. Viewed at: <https://kryeministria.al/en/newsroom/paketa-e-rezistences-sociale-mbrojtje-dhe-mbeshtetje-per-qytetaret-dhe-biznesin/>.

**Table 4.1 Disbursements under the National Agricultural Support Scheme, 2017-23**

(ALL million)

	2017	2018	2019	2020	2021	2022	2023 <sup>a</sup>
Livestock	0.3	282.3	494.7	758.7	1,030.8	1,492.1	1,640.0
Improving plant cultivation (including greenhouses)	64.4	137.5	67.6	167.1	82.9	560.3	0
Input subsidies	0	11.6	0	0	0	181.5	130.0
Global GAP certification	0	1.0	0	0	0.3	0.4	35.7
Beekeeping	83.5	70.9	86.4	161.1	220.3	288.9	0
Fisheries and aquaculture	0.3	10.3	10.0	0	0	352.0	129.4
Investment subsidies	48.2	1,127.7	138.6	47.8	33.8	213.6	0
Organic farming	1.2	3.1	0	8.1	11.2	10.8	49.8
Related interest-rate subsidies	3.8	2.6	1.6	1.0	0.2	0.0	0
Fuel subsidies	0	0	0	-0	666.8	1,949.0	1,328.0
<b>TOTAL</b>	<b>202.0</b>	<b>1,647.0</b>	<b>798.8</b>	<b>1,143.7</b>	<b>2,046.0</b>	<b>5,049.0</b>	<b>3,313.0</b>

a Planned amounts.

Source: Information provided by the authorities.

4.12. For 2023, applications under the NASS were accepted between late March and early April, with support measures focusing on increasing the competitiveness of livestock and agricultural production. Such measures include direct payments for certain livestock (reproductive animals) and beehives; support to improve plant cultivation including medicinal plants, apples, cherries, walnuts, pomegranates, chestnuts, grapevines, citrus, olives, wheat, and strawberries (for planting and solar greenhouse construction); certain input subsidies; up to 50% of the costs for Global GAP implementation and certification; support for organic farming; investment subsidies related to irrigation, agritourism, greenhouses, and the olive sector; subsidies for fishing boat fuel and the improvement of fishing infrastructure; fuel subsidies for agricultural mechanization; and certain interest rate subsidies.<sup>14</sup>

4.13. As the completion of effective farm register and land parcel registration systems remains pending, support measures are administered using an annual application process with beneficiaries required to have a valid national tax identification number (NIPT) and being registered as farmers, but beneficiaries are not required to meet basic requirements regarding statutory management or good agricultural and environmental conditions to receive support.<sup>15</sup>

4.14. Through its Drainage and Irrigation programme, MARD also continued to invest in primary irrigation and drainage infrastructure, bringing the total area under irrigation to 260,000 ha and that with drainage to 270,000 ha, allocating around ALL 25 billion for the period 2016-22.

4.15. As part of EU-funded Pre-Accession Assistance, the Instrument for Pre-Accession Assistance for Rural Development (IPARD) funds support to the agri-food sector and rural areas in accession countries, and a programme has been operational in Albania since 2018. IPARD complements and operates in parallel with the NASS and it is also implemented by the AZHBR. Between 2018 and 2022, the programme contributed EUR 94.6 million in EU- and government-funded contributions to the sector, focusing on investments in physical assets (Table 4.2).<sup>16</sup>

**Table 4.2 Support under IPARD II, 2019-22**

(ALL million)

Area of support	2019	2020	2021	2022
Measure 1 – Investments in physical assets of agricultural holding	385.5	1,598.2	1,424.2	1,227.0
Measure 3 – Investments in physical assets concerning processing and marketing of agricultural and fishery products	1,292.1	1,377.1	675.1	458.9
Measure 7 – Farm diversification and business development	196.2	248.6	821.4	594.0
Measure 9 – Technical assistance	0	0	8.7	9.0

<sup>14</sup> Council of Ministers Decision No. 125/2023.<sup>15</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final.<sup>16</sup> IPARD II followed an earlier project implementing IPARD-like measures with around EUR 5.2 million contracted for implementation until 2017.



Area of support	2019	2020	2021	2022
<b>TOTAL</b>	<b>1,873.8</b>	<b>3,223.9</b>	<b>2,929.4</b>	<b>2,288.9</b>
<b>of which: government contribution</b>	<b>468.5</b>	<b>806.0</b>	<b>732.3</b>	<b>571.3</b>

Source: IPARD agency.

4.16. For the period 2021-27, the total planned funding envelope under IPARD III amounts to EUR 146.4 million, of which EUR 34.4 million will come from the national budget, with implementation modalities unchanged and the programme starting once IPARD II closes. As an EU programme, IPARD sets the framework for eligible support, identifying 13 measures aligned to the European Union's Common Agricultural Policy. The Albanian programme includes support in nine of these measures, with more than half of total support foreseen for investments in physical assets of agricultural holdings as well as those concerning processing and marketing of agricultural and fishery products. Other important areas of support are for farm diversification and business development and investments in rural and public infrastructure.<sup>17</sup> This represents a significant increase in the number of types of measures included under the Albanian programme under IPARD III, as IPARD II provided support in only four areas (Table 4.3).

**Table 4.3 Planned support under IPARD III, 2021-27**

(ALL million)

Area of support	2021	2022	2023	2024	2025	2026	2027
Measure 1 – Investments in physical assets of agricultural holding	472	629	472	551	803	983	1,043
Measure 3 – Investments in physical assets concerning processing and marketing of agricultural and fishery products	472	472	617	610	739	960	907
Measure 4 – Agri-environment climate and organic farming	0	0	13	20	31	41	193
Measure 5 – Implementation of local development strategies – LEADER approach	0	0	142	142	142	142	0
Measure 6 – Implementation in rural public infrastructure	0	0	0	315	393	551	629
Measure 7 – Farm diversification and business development	301	445	325	548	546	560	629
Measure 9 – Technical assistance	12	24	53	53	53	41	29
Measure 10 – Advisory services	0	0	35	47	47	100	112
Measure 11 – Establishment and protection of forestry	0	0	167	167	167	167	167
<b>TOTAL</b>	<b>1,257</b>	<b>1,570</b>	<b>1,824</b>	<b>2,451</b>	<b>2,921</b>	<b>3,544</b>	<b>3,709</b>
<b>of which: government contribution</b>	<b>313</b>	<b>390</b>	<b>408</b>	<b>563</b>	<b>679</b>	<b>830</b>	<b>877</b>

Source: Information provided by the authorities.

4.17. An initiative designed with support from the European Bank for Reconstruction and Development (EBRD) aims to improve access to financing for the Albanian agri-business and tourism sector via commercial banks and non-banking microfinance institutions. Implemented by the EBRD, it does so by working with commercial banks via, *inter alia*, supporting risk-sharing agreements and providing incentives to provide loans to the agri-business sector.<sup>18</sup> The total envelope under this programme, also using funds from the national budget, is EUR 180 million for the period until 2025, of which EUR 150 million is directed to the agricultural sector. A separate Initiative for the Recovery, Growth and Start-up of SMEs, which agricultural producers also have access to, provides guarantees and technical assistance to SMEs generally.

4.18. A VAT-related reform in 2021 introducing a reduced VAT rate of 10% applying to certain agricultural inputs instead of the previous VAT exemption applying to such inputs. This effectively ended the compensation scheme for agricultural producers not participating in the regular VAT scheme by setting the compensation rate, formerly paid by buyers to agricultural producers, from 6% to 0%.<sup>19</sup> This rate had already been reduced in 2018 from 20% to 6% (Section 3.3.1).

<sup>17</sup> Ministry of Agriculture and Rural Development (2022), *IPARD III Programme 2021-2027 of the Republic of Albania*. Viewed at: [https://agriculture.ec.europa.eu/system/files/2023-03/ipard-III-programme-albania-2021-27\\_en.pdf](https://agriculture.ec.europa.eu/system/files/2023-03/ipard-III-programme-albania-2021-27_en.pdf).

<sup>18</sup> Albania Agriculture and Tourism Support Facility. Viewed at: <https://aatsf.com.al/>.

<sup>19</sup> Law No. 111/2021, amending Law No. 92/2014.

#### 4.1.1.3 Border measures

4.19. Average applied MFN tariffs on agricultural goods (WTO definition) are 8.7%, more than three times higher than those for non-agricultural products, while bound rates are nearly twice as high at 10% (Section 3.1.3). Applied preferential duties under Albania's FTAs also remain higher for agricultural products compared to those for other products, and the share of duty-free tariff lines is more limited for agricultural products compared to non-agricultural products (Table 3.2).

4.20. Albania applies a number of preferential tariff rate quotas (TRQs) of 0%. TRQs applied under the RTAs with the European Union and the United Kingdom affect nine agricultural tariff lines for milk and cream, wheat and meslin, maize, sparkling wine, and tomato ketchup or sauce, while TRQs under the RTA with Türkiye affect products in 27 tariff headings including some cheese, honey, fruits and vegetables (including some in processed form), sugar, chocolate, and ice cream. Information on TRQs is updated daily on the customs website.<sup>20</sup>

4.21. Accompanying the Albania-EFTA FTA, Albania has ratified Agreements on Agriculture with Switzerland, Liechtenstein, Norway, and Iceland. They contain tariff concessions and foresee further liberalization.<sup>21</sup>

#### 4.1.1.4 Export subsidies

4.22. Albania notified the WTO that it did not grant export subsidies between 2016 and 2021.<sup>22</sup>

#### 4.1.1.5 WTO notifications

4.23. The most recent notification to the WTO on agriculture domestic support is for calendar year 2017.<sup>23</sup> According to the notification, Albania provided total AMS (including *de minimis*) of ALL 196 million, focusing on support to beekeeping and non-product specific support, as well as Green Box support of ALL 1 billion, primarily for inspection and infrastructural services. The notified level of support was lower than in 2013, the year for which the previous notification was submitted, when total AMS (including *de minimis*) was ALL 804 million, focusing on support to beekeeping and non-product specific support, as well as Green Box support of around ALL 841 million. The authorities indicate that they are facing challenges in collecting relevant data and preparing DS:1 notifications and are planning to request technical assistance in this area from the WTO Secretariat.

#### 4.1.2 Fisheries

4.24. According to the Strategy of Agriculture, Rural Development and Fishing 2021-27, a key objective is to formalize and expand the fisheries sector, while ensuring its sustainability. Fisheries policy in Albania continues to be regulated by Law No. 64/2012 on Fishing, and focuses on fisheries management, with particular focus on the setting of fishing quotas, fleet capacity management, market and aquaculture regulations, and support for small-scale fisheries and coastal communities. The Law was amended a few times during the review period, *inter alia*, by introducing a differential treatment of small and artisanal coastal fishing, strengthening resource protection and surveillance by fishing management organizations, and the registration of fishing boats to limit the total number of vessels other than small-scale fishing vessels. According to the authorities, there were 754 licensed maritime fishing vessels in June 2023, 230 of which were large vessels.

4.25. The NASS has also covered support to the fisheries sector since 2022. According to the Law on Fishing, such support should not include capacity-enhancing support, and includes measures to adapt the capacity of fishing fleets, as well as investments regarding safety, to cushion the effects of fishing bans; support small, artisanal coastal fishing; and support processing and trading of inland-water fish. It also includes the provision of public goods relating to sustainability and environmental protection, or investments in fishery infrastructure. Reflecting developments at the European Union, certain support to enhance energy efficiency (while reducing engine capacity) and

<sup>20</sup> Customs, *Preferential Tariffs and Tariff Quotas*. Viewed at: <https://www.dogana.gov.al/d/169/182/249/266/tarifat-preferentiale-dhe-kuotat-tarifore>.

<sup>21</sup> Law No. 10288/2010.

<sup>22</sup> WTO documents [G/AG/N/ALB/14-18](#), 2 November 2020; and [G/AG/N/ALB/19](#), 2 May 2022.

<sup>23</sup> WTO document [G/AG/N/ALB/8](#), 16 October 2018.

certain fuel subsidies in response to the energy crisis and the war in Ukraine were provided in 2022. Overall support to the fisheries sector during the period 2016-22 amounted to ALL 200 million, ALL 180 million of which in 2022 for fuel subsidies for fishing vessels (Table 4.1).

4.26. Total fish production increased during the review period and reached 18,500 tonnes in 2021, more than half of which originated in inland waterways or aquaculture. In terms of tonnage, various carp species accounted for more than 50% of inland water catches, while anchovies, rose shrimp, and hake were the most important marine and coastal water catches<sup>24</sup>, with the total market value of fish produced in Albania estimated at ALL 8.2 billion in 2022, according to the authorities.

4.27. Albania is a net exporter of fish and fish products with the European Union-27 the main trading partner both for exports and imports, accounting for around 80% of trade overall. On increasing trends since 2015, exports were valued at EUR 133 million in 2022, and imports at EUR 131 million. According to government statistics, exports are near-exclusively destined for the EU-27, with more than 80% of fish exports classified as re-exports, i.e. fish (products) imported and exported after processing (in particular cold-water shrimp and prawns, as well as anchovies). National exports primarily consist of certain fresh or chilled fish. The origin of fish imports is comparably more diversified geographically, with the largest import items being crustaceans (mostly from Latin America) and fish that is dried, salted, or smoked, or in brine, from the European Union.

4.28. Foreigners cannot own more than 49% of fishing companies that have fishing rights, and fish catch permits are issued only to vessels flying the Albanian flag. As for large agriculture projects, investments into the fisheries sector can be considered strategic under the 2015 Law on Strategic Investments (Section 2.4).

4.29. The Agreement on Fisheries Subsidies was approved by Parliament in June 2023<sup>25</sup> and Albania expects to deposit the instrument of acceptance soon.

## 4.2 Mining and energy

### 4.2.1 Mining

4.30. Albania is rich in mineral resources, and mining and quarrying is traditionally a relatively significant economic activity although its share declined from 3.7% of GVA in 2015 to 2.5% in 2021 (Section 1.2). The COVID-19 pandemic significantly affected the sector. The sector consists of slightly less than 700 companies, an increase from around 500 in 2016, while employment<sup>26</sup> declined from more than 11,000 in 2016 to 9,355 in 2021. Mineral exports accounted for 22.2% of total exports in 2022, higher than during most of the review period, with crude oil accounting for roughly one third of these (7.2% of total).

4.31. The most important production volumes are for limestone, crude oil, clay, chrome, copper, coal, and ferro-nickel. Exports primarily consist of crude oil, increasing from EUR 141 million in 2016 to EUR 295 million in 2022; ferrochrome<sup>27</sup>, which increased from EUR 50 million in 2016 to EUR 258 million in 2022; chromium ores and concentrates, which increased from EUR 84 million in 2016 to EUR 98 million in 2022; ferrous waste and scrap (EUR 35 million in 2022); copper ores and concentrates (EUR 30 million in 2022); copper waste and scrap; and aluminium waste and scrap.

4.32. Since 2013, Albania has adhered to the Extractive Industry Transparency Initiative (EITI), a global initiative that seeks to improve the governance of the extractive sector.

#### 4.2.1.1 Oil and gas

4.33. The authorities in charge of the sector are the MIE and the two agencies placed under it, the National Agency of Natural Resources (Agjencia Kombetare e Burimeve Natyrore (AKBN)) and the

<sup>24</sup> Institute of Statistics, *Agriculture and Fisheries*. Viewed at: <https://www.instat.gov.al/en/themes/agriculture-and-fishery>.

<sup>25</sup> Law No. 42/2023.

<sup>26</sup> Figures include solid minerals mining and quarrying and oil and gas exploration and exploitation, but excludes refining and processing of oil, gas and minerals.

<sup>27</sup> HS 720241/49.

Albanian Geological Service. The Petroleum Law<sup>28</sup> establishes state oil or gas ownership for all natural gas and petroleum deposits within Albania's jurisdiction. In turn, the MIE may confer to interested parties rights to explore, develop, and produce oil and gas for a limited period and for a specific zone by means of a so-called "petroleum agreement", which may take the form of a production sharing agreement or any other form so long as it does not violate the Petroleum Law.

4.34. The duration of an exploration permit is five years and may under specific circumstances reach seven years. After a discovery, the contractor may ask for an additional three years to evaluate it. The duration of the petroleum agreement for development and production is up to 25 years in accordance with a development plan approved by the MIE. It is extendable for five years. In all instances, the petroleum agreements signed for development and production have taken the form of a production sharing agreement, i.e. an agreement that provides the division of the remaining amount of hydrocarbons produced in the contract zone ("profit oil") after the recovery of petroleum costs and payment of the royalty taxes by the contractor ("cost oil").

4.35. There were two main regulatory development during the period under review. The first was the limitation in 2017 of the duration of the fiscal stability clauses negotiated as part of the petroleum agreements to 12 years by Law No. 6/2017 amending the Petroleum Law. The second was Fiscal Law No. 153/2020, which stipulates that oil companies will pay profit taxes from the start of the production phase and where at least 85% of the revenue will be allocated for cost recovery purposes.

4.36. Four companies have signed production sharing agreements with the Government: San Leon Energy Plc in 2004, Shell Upstream Albania BV in 2007, Shell Albania Block 4 BV in 2017, and Eni Albania BV in 2019. All are presently conducting exploration activities.

4.37. In 2022, there were seven companies engaged in crude oil extraction: Bankers Petroleum Albania and Sherwood from China; Terra Oil Swiss from Switzerland; and Anio Oil and Gas, Delvina Gas Company, EDG Natyral Gas, and Fin Pek from Albania. These companies interact with Albpetrol, the 100% state-owned company that is active in the exploration, development, and production of oil and gas. Albpetrol is the primary licensee in all oil fields discovered up until 1993 but sub-granted its rights for four oil fields and three gas fields to private companies. This is legally done through the so-called "Albpetrol Agreement", which is a specific petroleum agreement that grants to Albpetrol, in addition to its rights to conduct exploration development and production activities, the right to transfer any or all the rights it is entitled to for a specific zone to another legal entity.

4.38. The main producer of oil is the Chinese company Bankers Petroleum, which exploits the oil field of Patos Marinza. It accounted in 2022 for 550,000 tonnes of the national total of 657,400 tonnes produced, i.e. 85% of production, while Albpetrol, which has to maintain for safety reasons the oil and gas fields not exploited by private companies, accounted for about 10% of production. The other six companies holding a production licence received their licences between 2004 and 2013, and all run for 25 years. Some of them were transferred during the period under review. Oil produced in the country is mostly exported, to be refined abroad, notably to Spain and Italy. Its heavy density makes it particularly suitable for the production of bitumen.

4.39. The National Energy Strategy 2018-2030, adopted by Council of Ministers Decision No. 480/2018, estimates the geological oil reserves at around 437 million tonnes. More than 77% of the geological reserves are located in sandy deposits. To date, about 50 million tonnes have been extracted and about 386 million tonnes are still underground. Sandy deposits are not economically exploitable under present market conditions.

4.40. The Government participates in the sale of crude oil via Albpetrol, which proceeds through auctions. It is also active in the transport of crude oil through its SOE. Bankers Petroleum, the main oil producer, freely selects its carriers. The transport of refined petroleum is subject to licences delivered based on technical and financial capacities criteria.

4.41. Three refineries operate in Albania, in Elbasan and Fier.<sup>29</sup> In addition, in 2016 the Government allocated two new licences for oil refining to RBH BELINE and AM-OIL, for 30 years with future

<sup>28</sup> Petroleum Law (exploration and production) No. 7746/1993.

<sup>29</sup> In 2016 Armo reached an agreement with its creditors to transfer its two refineries to Ionian Refining and Trading Company (IRTC) and in 2018, the refinery of Fier was sold to local investors for EUR 5 million.

facilities of, respectively, 500 tonnes per 24 hours and 600 tonnes for 24 hours. All of these facilities have a relatively small production capacity and are not able to produce gasoline, diesel, or kerosene. They produce only intermediary products that are subsequently reprocessed abroad, increasing from 184 ktoes in 2016 to 513 ktoes in 2017, and then declining to 165 ktoes in 2021.

4.42. Wholesale and retail distribution of refined products is open to the private sector and foreign operators. Licences for wholesale trade are delivered by the MIE, and by local authorities for retail trade. In both instances, the granting of licences is based on technical and financial capabilities and without preset quantitative restrictions. Wholesale storage facilities must be built in areas foreseen by a national plan (essentially, Fier and Porto Romano).

4.43. Regarding storage, La Petrolifera Italo-Albanese operates the Vlora sea terminal for crude oil based on two concessions granted in 2004: a BOO (Build Operate Own), giving it the land and the storage facility; and a BOT (Build Operate Transfer) of 30 years renewable for another 30 years, on the related port infrastructure. The terminal of Porto Romano in Durrës has facilities for the storage of crude oil and refined imported and exported products.

4.44. Albania's imports of refined oil products increased from EUR 224 million in 2016 to EUR 619 million in 2022, with the Kingdom of Saudi Arabia becoming a major supplier during the review period (accounting for nearly 50% in 2022 after having accounted for a minimal share until 2020), while the importance of Italy as a supplier notably declined. Other important sources are Türkiye, Israel, Romania, Croatia, and Greece. Albania exports significant amounts of crude oil (Section 4.2.1.1) and limited amounts of refined oil.

## Gas

4.45. Gas reserves in natural gas fields and oil fields are estimated at 3 billion m<sup>3</sup> and 630 million m<sup>3</sup>, respectively. Some are in the form of gas dissolved in oil or condensed in it, and some are in the form of free gas in gas deposits. While notable, gas reserves are not exploited on their own, as they are "accompanying gas", i.e. gas found together with oil. The infrastructure to exploit and distribute it only exists so far in the Fier region.

4.46. The Trans Adriatic Pipeline (TAP), which transports gas from Azerbaijan to Europe, transits Albania and started commercial operations in November 2020. Efforts to interconnect the TAP with the planned Ionian Adriatic Pipeline (IAP), a 515 km pipeline of 5 billion m<sup>3</sup> capacity aiming to distribute gas in Albania, Bosnia and Herzegovina, Croatia, and Montenegro, are ongoing. In April 2016, TAP was certified jointly by the national regulatory authorities of Albania (the Energy Regulatory Entity (ERE)), Greece (RAE), and Italy (AEEGSI) based on the independent transmission operator (ITO) model, part of the European Union's Third Energy Package, taking into consideration the opinions issued by the European Commission and the Energy Community Secretariat earlier in 2016.

4.47. Law No. 102/2015 on the Gas Sector created Albgaz, a spin-off from the former gas activities of Albpetrol, to act as the combined operator of the transmission and distribution of gas in Albania. Albgaz was certified by the ERE in November 2017 under the unbundling ownership model. In its 2022 Implementation Report on Albania<sup>30</sup>, the Energy Community Secretariat considers that all of the conditions set in the Albgaz certification decision are not yet met, such as the complete transfer of competencies over investment decisions to the ministry exercising control over Albgaz (Ministry of Infrastructure and Energy, MIE).

### 4.2.1.2 Solid minerals

4.48. The State has the inalienable right of ownership of solid mineral resources, but the exploration and exploitation of mineral resources are purely private, the State being in the final process of liquidating its remaining state-owned companies in the sector. Private companies pay a "mining fee" to the State, i.e. a tax based on a percentage of the value of the mineral mined to compensate for

<sup>30</sup> Energy Community, *Albania – Annual Implementation Report 2022*. Viewed at: <https://www.energy-community.org/implementation/report/Albania.html>.

the decrease of the mineral reserves. There too, the authorities in charge of the sector are the MIE and the two agencies placed under it, the AKBN and the Albanian Geological Service.

4.49. In 2023, 436 mining companies were active in Albania, of which 17 are foreign owned, and hold a total of 553 exploitation permits (251 permits for chrome, 158 permits for limestone, 54 for decorative stones, 31 for iron-nickel and nickel-silicate, 12 for sandstone and gravel, and 47 for other minerals).

4.50. The main destinations for mineral exports in 2023 are Europe (65%) for ferro-chrome, of which 27% to Italy; Europe (100%, essentially North Macedonia) for iron ore; China (55%) and Bulgaria (45%) for copper ore; China (69%), Sweden (17%), and Switzerland (7%) for chrome ore; and Kosovo<sup>31</sup> (100%) for ferro-nickel ore.

4.51. Reserves for these minerals stood in 2023 at 31 million tonnes for chrome ore, 40 million tonnes for copper ore, 247 million tonnes for iron nickel ore, 104 million tonnes for nickel-silicate ore, and 3.9 million tonnes for iron ore. Ten companies hold research permits in 2023.

4.52. The mining regime distinguishes four regimes for four kinds of minerals: (i) metals, non-metals, coal, and bitumen; (ii) minerals used for construction; (iii) precious and half-precious minerals; and (iv) radioactive minerals. During the period under review, licences delivered only concerned the first two categories (Table 4.4). Production licences give the licensee the exclusive right to develop the needed infrastructure, and to extract, own, and sell the production in the licensed area. The MIE can also grant licences for the processing of mineral wastes.

**Table 4.4 Main features of mining licences, 2022**

	<b>Metals, non-metals, coal, and bitumen</b>	<b>Minerals used for construction</b>
Exploration licence term	3 years (extendable by 1 year)	1 year
Maximum exploration area	No more than 100 km <sup>2</sup>	No more than 10 km <sup>2</sup>
Production licence term	25 years (extendable by 10 years)	25 years (extendable by 10 years)

Source: Deloitte (2020), *Extractive Industries Transparency Initiative in Albania, Report for the Years 2017 and 2018*.

4.53. The State may also grant to legal domestic or foreign entities mining rights in accordance with the provisions of the Law on Concessions, implying heavy downstream investments in refining and processing facilities. Those mining rights are also subject to the Mining Law. Three mining companies – Albchrome (2001 for 40 years), Beralb (2002 for 40 years), and Ilyria Minerals Company (2013 for 35 years) – benefit from nine such concessions. All of these companies are foreign owned (initially by Italian and Austrian interests, now mostly by Turkish interests). These concessions can be legally extended up to 99 years. From an operational point of view, these concessions are of a ROT (rehabilitate, operate, and transfer) type.

4.54. The mining and energy sectors are defined as strategic sectors of the economy by the Law on Strategic Investments of 2015 (Section 2.4). Strategic investors who meet the thresholds set by the Law (EUR 30 million for the "assisted procedure", and EUR 60 million of the "special procedure") benefit from a quick processing procedure via the Albanian Investment Development Agency, which serves as a one-stop shop.

4.55. During the period under review, the Government adopted several technical regulatory measures, notably on safety, qualifications, and procedures for the extension of permits. In particular, Council of Ministers Decision No. 357/2022, complementing the Mining Law, has allowed the transfer of mining licences granted through tendering procedures after five years, thereby encouraging new entrants.

4.56. The Government encourages not only the development of mining *per se* but also the local transformation of the minerals. During the period under review, three new ferrochrome processing plants and one copper processing plant were created, and efforts are now made to encourage investments in ferro-nickel and nickel-silicate processing plants. The main tool used by the Government to encourage these downstream investments is a rebate of the mining fee for processed

<sup>31</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).



minerals as compared to the rates applicable to raw metal ores. These rebates vary by year and usually result in significantly lower rates (Table 4.5).

**Table 4.5 Mining fee rates applicable to raw metal ores and to processed minerals, 2018-24**

	2018	2019	2020	2021	2022	2023	2024
Rates for raw metal ores	6%	7%	8%	9%	9%	9%	9%
Rates for processed minerals	..	3%	3%	0%	0%	0%	3%

.. Not available.

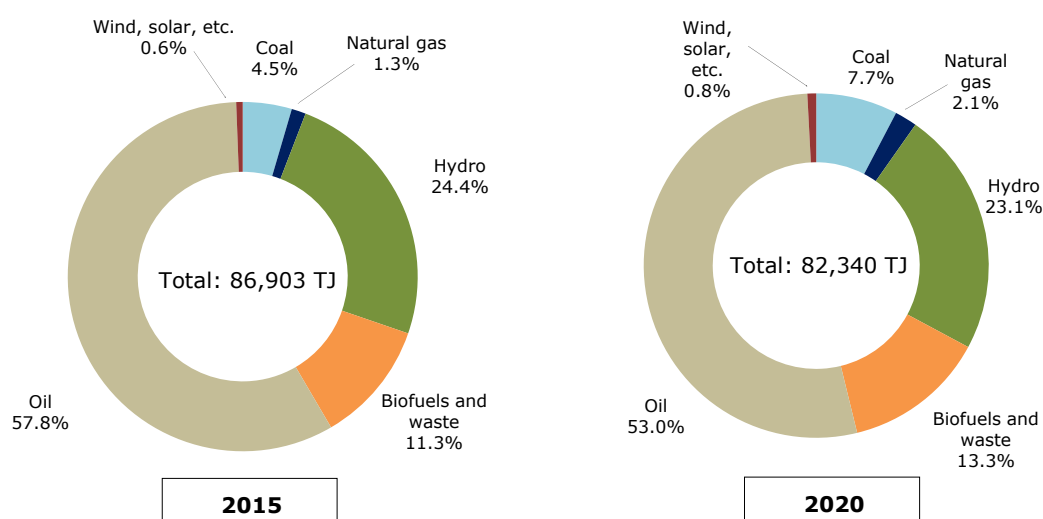
Source: Information provided by the authorities.

4.57. To foster the development of the sector, Albania devised a long-term Mining Strategy (2010-2025), which is updated every three years by an action plan adopted by the Council of Ministers. The latest action plan was adopted by Council of Ministers Decision No. 380/2022 and covers the 2022-24 period, and its objective is to create "[a] dynamic, sustainable, growing and harmonious Albanian mining industry that contributes [to] the wealth of the nation and well-being of its people by offering more and better employment opportunities, ensuring environment protection and preservation, and meeting all EU integration standards".<sup>32</sup> In that respect, the Mining Law was aligned during the period under review with the relevant EU *acquis*, EU directive 2006/21/EC, and the transposition of the latest consolidated version of this directive dated 7 August 2009 is ongoing.

#### 4.2.2 Energy

4.58. The share of oil remains largely dominant but notably declined (from 57.8% to 53%) between 2015 and 2020 (Chart 4.1). The share of hydropower slightly diminished (from 24.4% to 23.1%), but this evolution might not be statistically meaningful in view of the variability of this resource year on year and the effects of the COVID-19 pandemic on energy use.<sup>33</sup> The share of coal notably progressed (from 4.5% to 7.7%), some of which is imported, as well as that of natural gas (from 1.3% to 2.1%). The share of biofuels and waste progressed from an already significant base (from 11.3% to 13.33%) and so has the share of solar and wind but from a small base in this case (from 0.6% to 0.8%) and remains marginal for the time being.

**Chart 4.1 Total energy supply (TES) by source, 2015 and 2020**



Source: IEA, *Albania*. Viewed at: <https://www.iea.org/countries/albania#overview>.

4.59. The overall energy policy of Albania is determined by the National Energy Strategy (2018-30), approved by Council of Ministers Decision No. 480/2018 and the 2021 National Plan for Energy and

<sup>32</sup> Albania Council of Ministers (2016), *National Strategy for Development and Integration, 2015-2020*. Viewed at: [https://www.dap.gov.al/images/DokumentaStrategjik/NSDI\\_2015-2020.pdf](https://www.dap.gov.al/images/DokumentaStrategjik/NSDI_2015-2020.pdf).

<sup>33</sup> Latest available data are for 2020.



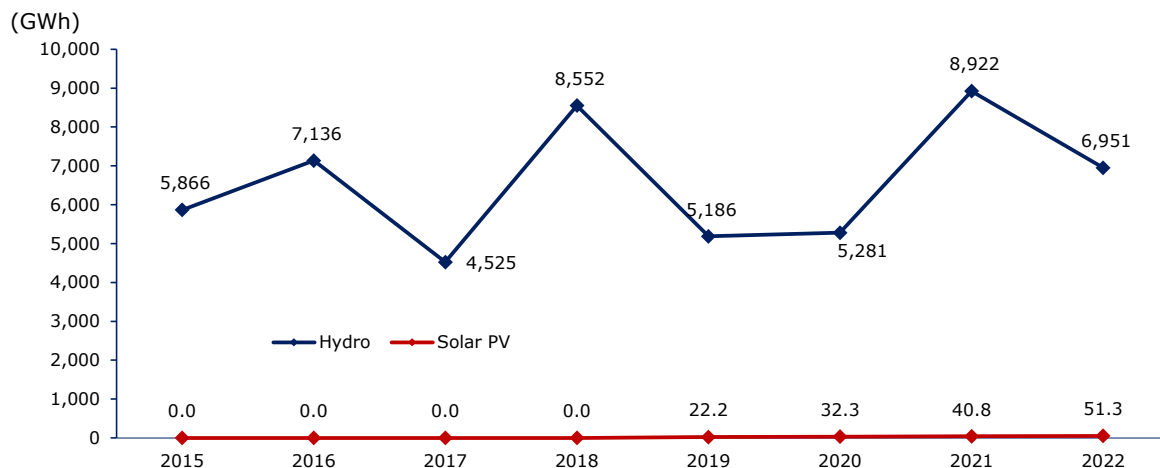
Climate (2021-30).<sup>34</sup> These two documents define the objectives and goals for increasing the security of energy supply through (i) diversifying energy production by creating a supportive domestic energy market; (ii) reducing the level of technical and non-technical energy losses in the network; (iii) increasing energy efficiency; (iv) increasing the share of energy from renewable sources; (v) reducing the amount of imported energy; (vi) improving energy intensity; and (vii) reducing greenhouse gas (GHG) emissions.

4.60. The MIE is the authority in charge of these policies. It is assisted by the ERE, an independent regulatory agency established in 2015; the Energy Efficiency Agency created in 2015; and the mineral resources agency (AKBN), which plays a role in the authorization process for solar and wind power plants.

#### 4.2.2.1 Electricity and renewables

4.61. In the specific case of Albania, these two usually distinct subjects can be discussed together because (i) renewable energies (except for biofuels and waste) are used only for electricity generation; and (ii) the electricity production mix during the period under review was uniquely composed of renewable energies, dominantly by hydroelectricity and marginally towards the end of the period by photovoltaic (PV) energy (Chart 4.2). This is not true, however, of electricity imports, which may have a partially thermal origin. The level of the hydro production is highly variable depending on the hydrological conditions, which have become more uncertain with climate change, with total net domestic production of 8,962 GWh in 2021 and 7,002 GWh in 2022.

**Chart 4.2 Electricity generation by source, 2015-22**



Source: INSTAT, *Energy*. Viewed at: <https://www.instat.gov.al/en/themes/environment-and-energy/energy/>.

4.62. The period under review saw a complete change of the institutional landscape of electricity in Albania and of the relationship between its different – and sometimes new – actors as a consequence of several regulatory evolutions, namely:

- the unbundling of energy operators and the liberalization of the market entailed by the transposition of the European Union's Third Energy Package;
- the creation of two categories of renewable energy producers (priority producers and self-producers) as a consequence of the renewable energy law of 2017;
- the creation of a power exchange (ALPEX) and of new balancing rules; and
- the consequences of the proclamation of the energy state of emergency in 2020.

<sup>34</sup> Approved by Council of Ministers Decision No. 872/2021. Such national plan is a mandatory obligation under the Energy Community Treaty, designed to prepare the transposition of the EU energy *acquis* by EU candidate countries.

4.63. The production of electricity in 2022 is ensured by four types of producers: state-owned companies (KESH and Lanabregas), independent power producers (IPPs), priority producers, and self-producers.

4.64. KESH is a 100% state-owned company and the former monopoly. In 2018, its ownership was transferred to the MIE and hence unbundled from that of the transmission company (TSO), which is owned by the Ministry of Finance and Economy. It manages three large hydropower plants on the Drin River, has a capacity of 1448 MW (52% of the total capacity), and a production of 3,859,721 MWh (55.1% of the total production) in 2022. Lanabregas is also a 100% state-owned company, owned by the MIE, but of a much smaller size. It manages one hydropower plant in the Skanderbeg mountains for a capacity of 5 MW (0.2% of the total capacity) and a production of 25,423 MWh (or 0.36% of the total production) in 2022.

4.65. IPPs are private hydropower producers (HPPs) that exploit hydropower plants in the form of concessions or under 2 MW of authorizations. This category has existed since 2003. Four companies are licensed as IPPs, three of which are foreign-owned<sup>35</sup>, managing a total of nine plants for an installed capacity of 438 MW (i.e. 15.9% of the total capacity) and a production of 1,159,000 MWh (i.e. 16.55% of the total production) in 2022.

4.66. Priority producers are renewable energy producers of a small capacity (i.e. under 15 MW for hydro, under 2 MW for PV, and under 3 MW for wind) that benefit from a support scheme by the State, which buys the totality of their production at guaranteed prices set annually by the independent regulator ERE (so-called Purchase Power Agreement (PPA)).

4.67. Some of the priority producers (33 licensed companies operating 48 plants, accounting for a capacity of 380 MW and a production of 1,130,403 MW) are linked to the high voltage transmission grid of TSO, the transmission operator, while others (133 licensed companies operating 171 plants, accounting for a capacity of 325 MW and a production of 803,324 MW) are linked to the low voltage distribution network of OSSH, the unbundled distribution operator. In total, priority producers accounted for 25.6% of the total capacity and 28.33% of the total production in 2022. Most are HPPs, the capacity and production of PV (23 MW and 50,093 MWh) being still marginal and that of wind being non-existent for the time being.

4.68. The last category of producers, self-producers, are households or companies having equipped their premises with PV panels for their own needs and having surplus capacity to sell to the distribution grid. This category was created in early 2020 on the basis of a "monthly metering scheme"<sup>36</sup>, but the corresponding price/feed-in tariff was never set. In May 2023, the scheme was revised and replaced by a "net billing scheme"<sup>37</sup> that will be enforced as of January 2024. ERE is presently working on the methodology to determine the price that will be paid to self-producers. In just three years, self-producers installed 150 MW of capacity, i.e. 5.5% of the total capacity. There are not yet any publicly available figures on their production.

4.69. Transmission is ensured by TSO, whose shares, as mentioned above, were transferred to the Ministry of Finance and Economy to unbundle it from KESH and from the distribution operator. TSO is also in charge of the implementation of the new balancing rules adopted in 2020 by the regulator ERE.<sup>38</sup> These rules require TSO to secure balancing services through a competitive market-based process. Participants can now offer balancing services and may hedge their own balancing responsibility by creating or joining balance groups. This will be important in particular for independent HPPs, which became responsible parties for their imbalances with the creation of the balancing market. The Government hopes that a balance group that integrates small HPPs in Albania will help ensuring efficient integration of these producers into the electricity market and allow them to optimize balancing costs.

<sup>35</sup> Statkraft AS, Ayen AS Energji Sha, and Kurum International.

<sup>36</sup> MIE Guideline No. 3 of 20 June 2019 on Approval of the Facilitated Procedure of Authorisation for Connection to the Distribution System of Small Photovoltaic Self-Producers.

<sup>37</sup> Law No. 24/2023 on Promoting the Use of Renewable Resources, transposing Directive (EU) 2018/2001.

<sup>38</sup> ERE Decision No. 106 of 2 July 2020.

4.70. At the beginning of the period under review, the distribution network was operated by the state-owned company OSHEE. The Energy Community opened a case in January 2018<sup>39</sup> against Albania as it judged the unbundling of the distribution system operator insufficient. OSHEE was legally unbundled in 2019<sup>40</sup> into three companies: FSHU, the universal supplier; FTL, the "free trade supplier/provider of last resort"; and DSO/OSSH, the operator of the distribution grid itself. The case was closed on 18 April 2023 by the Energy Community secretariat on the grounds that Albania had completed the required legal unbundling and had made substantial progress in functional unbundling, notably by adopting a compliance programme and appointing a compliance officer.

4.71. A new power exchange, ALPEX, was founded by the transmission operator of Albania (TSO) and the transmission operator of Kosovo (KOSTT). Its main seat is in Tirana. It operates the day-ahead market, coupling Albania and Kosovo. ALPEX started its operations on a trial basis in November 2022, extended them in February 2023 to intraday market and services, and was fully operational in April 2023. Various actors are members of ALPEX: KESH, FTL, OSSH, IPPs, and electricity traders.

4.72. The somewhat complex relationship between those various actors and final consumers is partially determined by the calendar of liberalization planned by the 2015 Law, which occurred during the period under review, but with some delays, further affected by the energy crisis.

4.73. Liberalization of the electricity market has been completed for nearly all consumers, albeit for some a transition period of a maximum of two years continues to apply (Table 4.6). Customers with a voltage down to 6 kV are not eligible anymore for universal services and regulated prices. They must buy their electricity on the free market from IPPs or on ALPEX. However, as of the date of liberalization, if they could not find a free-market supplier or were not willing to find one right away, they benefit from a transitory period of a maximum of two years where they can be supplied by FTL, which plays the role of supplier of last resort. This transitory period expired in January 2022 for customers with 35 kV voltage and above and will expire in January 2024 for customers between 6 kV and 35 kV. FTL can sell its excess on ALPEX at market prices. Consumers with 0.4 kV can remain forever with FSHU at regulated prices, but they have the choice, if they so wish, to move to the free market. In practice, very few have done so.

**Table 4.6 Planned and effective calendar of the liberalization of the electricity market**

Market type of customer	Initial calendar of liberalization	Effective calendar of liberalization
With 110 kV voltage and above as well as any other customer with annual electricity consumption exceeding 50 million kWh, regardless of voltage	April 2015	April 2015
With 35 kV voltage and above	30 June 2016	March 2020 with optional 2-year transitory period with FTL as supplier of last resort
With 20 kV and above	31 December 2016	1 January 2022 with optional 2-year transitory period with FTL as supplier of last resort
With 16 kV, 10 kV, and 6 kV	31 December 2017	1 January 2022 with optional 2-year transitory period with FTL as supplier of last resort
0.4 kV	No compulsory date	No compulsory date

Source: Compiled by the WTO Secretariat, based on information provided by the authorities.

4.74. FTL buys its electricity for the State's account from the priority producers at regulated and supported prices. From 2018 to 2020, FTL could buy electricity to supply FSHU but since the proclamation of the energy state of emergency in 2020, KESH, the state-owned producer, has the obligation to provide the universal supplier with all the electricity needed for universal services, through its own production, through purchases at regulated prices to priority producers and through the free market, with KESH bearing any losses. In case of excess production by KESH as compared to the need of the universal services, KESH can sell this excess production on ALPEX at market prices. Another consequence of this energy state of emergency is that KESH must cover the losses

<sup>39</sup> Case ECS 4/17.

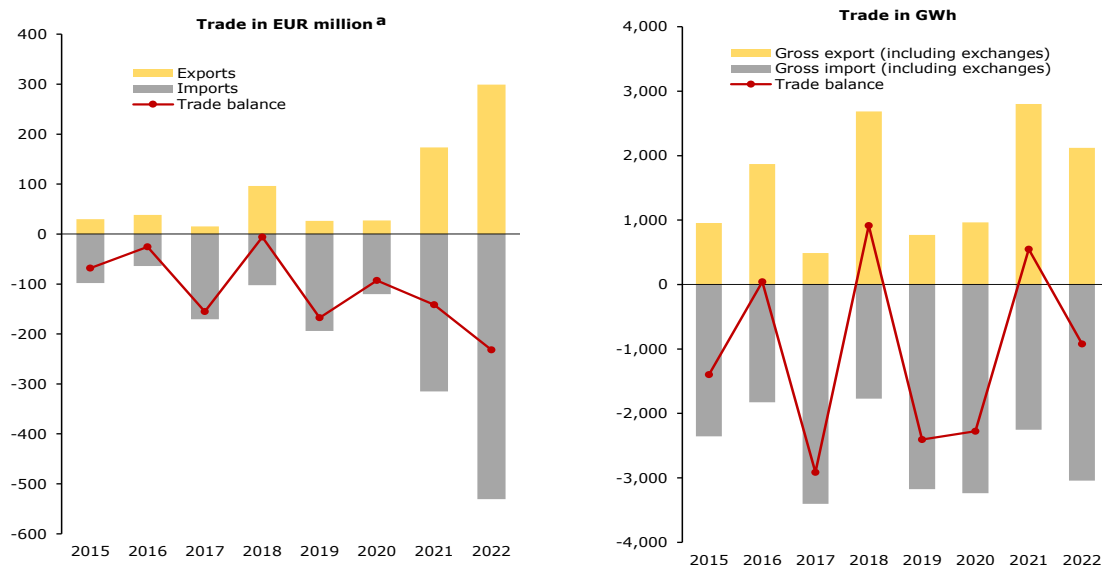
<sup>40</sup> ERE Decision No. 211 of 18 December 2019, applicable as of 1 January 2020.

of the transmission operator TSO through ALPEX and that FTL must cover the losses of the distribution system operator DSO/OSSH.

4.75. The energy state of emergency will expire in December 2023. The regime that will replace it is still under preparation.

4.76. With energy production variable depending on hydrological conditions, Albania trades energy throughout the year and imports and exports significant quantities, particularly depending on supply conditions. In most instances, it was a net importer of electricity for between 20% and 30% of this consumption. In volume terms, it was a net exporter in 2018 and 2021, although it remained a net importer in value terms in both years as a result of price effects, according to the authorities (Chart 4.3). Albania exports hydroelectricity at low prices in winter and imports electricity at high prices in summer.

**Chart 4.3 Electricity trade, 2015-22**



a Based on Albania's merchandise trade (HS 271600).

Source: WTO Secretariat calculations, based on trade data provided by the authorities; and INSTAT, *Energy*. Viewed at: <https://www.instat.gov.al/en/themes/environment-and-energy/energy/>.

4.77. Aware the vulnerability of hydropower, the Government has developed a multi-pronged strategy to diversify and secure its electricity supply: renovation of the existing thermal power plant in Vlora, creation of a new thermal power plant in Korce, plans of interconnection with neighbouring countries, development of solar PV energy, construction of new hydropower facilities, and technical improvement of the network to diminish losses.

4.78. More specifically, Albania has been connected since 2014 to the networks of Greece and of North Macedonia but has plans to reinforce those connections. There is first a project of a 400 kV interconnection line between Elbasan (Albania) and Bitola (North Macedonia) with the construction phase planned for 2023-25. In a more distant future, a second 400 kV interconnection line is planned between Fier (Albania) and Arachthos (Greece).

4.79. Although Albania reduced technical losses of the network during the period under review<sup>41</sup>, they remain at a relatively high level (2.09% for transmission losses and 19.7% for distribution losses). Albania has plans to invest heavily in the coming years to reduce these losses.

4.80. Albania has advanced plans for the construction of two new PV power plants, a 140 MW unit in Karavasta and a 100 MW unit in Spitalla. For Karavasta, the project agreement and the PPA were signed in 2020 and completion of construction is scheduled for 2024. The PPA took the form of a

<sup>41</sup> World Bank (2022), *Country Private Sector Diagnostic: Creating Markets in Albania*, p. 50.

renewable energy support auction for 140 MW. The auctioned volume was 70 MW with support, to be purchased by the Government at 24.89 EUR/MWh for a period of 15 years.<sup>42</sup> Another 70 MW, without support, is to be sold at market price.

4.81. For Spitalla, the project agreement and the PPA were signed in June 2021, with 70 MW to be purchased at a price of 29.89 EUR/MWh for 15 years, and the remaining 30 MW sold on the market. Construction is planned to be completed in 2025.

4.82. Regarding wind energy, the MIE announced in 2022 a competitive procedure for wind electricity generators with an installed capacity from 10 MW to 75 MW. Through this bidding procedure, the Ministry will select projects with a total capacity of 100 MW that will benefit from support measures. The winners of the auction are short listed. The process is ongoing. The winner will be selected in 2023. A similar auction for offshore wind farms is planned for 2024.

4.83. The Government also has plans to build a new hydropower facility at Skavica, located on the Drin River, like the three other major hydropower plants. Like the others, it will be operated by KESH, the state-owned power corporation. This project is at the stage of the field studies.

#### 4.2.2.2 Efficiency and other environmental measures

4.84. The energy efficiency sector in Albania is regulated by the two main laws, the Energy Efficiency Law and the Law on Energy Performance in Buildings. The Energy Efficiency Law, as amended, is mainly in line with Directive 2012/27/EU, especially because of its amendments approved in 2021. This Law aims to create and implement national policies and regulations to promote and improve the efficient use of energy. It sets mandatory targets for the public and private sectors including large consumers. To implement the Energy Efficiency Law, and in accordance with the objectives provided for in the NECP (Energy Efficiency Dimension), several by-laws have been approved. They deal with the format of the action plans of large energy consumers and their annual progress report, the format of local action plans for energy efficiency and their progress report, and the Guideline on the Contract Model for Energy Performance Contracting. As recognized by the authorities, the main challenges will be the implementation of these measures and their financing, as well as capacity-building issues. Law No. 24/2023 on Promoting the Use of Energy from Renewable Sources replaced Law No. 7/2017 of the same title, aiming to transpose Directive 2018/2001. The targets set by Albania for efficiency include a share of electricity generated from PV solar plants and wind turbines by 2025 of 20% (1.5% at the baseline in 2022) and a reduction of distribution losses to 18.1% in 2025 (baseline of 19.6% in 2022).

4.85. In December 2020, the Parliament adopted Law No. 155/2020 on Climate Change. This Law plans on, *inter alia*, submitting the country's Nationally Determined Contribution (NDC) on reducing GHG emissions to the United Nations Framework Convention on Climate Change (UNFCCC); integrating mitigation and adaptation issues into legislation, strategies, and programmes; and creating a comprehensive legal and inter-institutional framework for climate action at the national level. A revised NDC was submitted to the UNFCCC in October 2021. It commits to an unconditional emissions reduction target of 20.9% by 2030 compared to the "business as usual" scenario. This is an increase compared to the first NDC, which aimed to reduce emissions by 11.5% by 2030 compared to 2016 levels.<sup>43</sup> The Law also includes provisions for monitoring, reporting, and verifying GHG emissions, and the foundation for the transposition and implementation of the Emission Trading Scheme Directive, as anticipated by signing the Sofia Declaration in October 2020. This Declaration endorses the European Union's Climate Law also for Western Balkans.

<sup>42</sup> This price is significantly lower than the average base and peak prices at the Hungarian Power eXchange (HuPX), the reference for the electricity import price in the region.

<sup>43</sup> UNDP, *Albania*. Viewed at: <https://climatepromise.undp.org/what-we-do/where-we-work/albania#:~:text=Key%20highlights%20from%20the%20NDC,2030%20compared%20to%202016%20levels>.

### 4.3 Services

#### 4.3.1 Financial services

4.86. The share of financial services in GDP slightly increased over the review period (from 2.01% to 2.15%). Table 4.7 describes the evolution of the main economic indicators of the financial services sector during the period under review.

**Table 4.7 Evolution of the main economic indicators of the financial services sector, 2016-22**

(ALL billion)

	2016	2017	2018	2019	2020	2021	2022 <sup>a</sup>
<b>Total financial system assets, of which</b>	1,554.9	1,590.9	1,612.2	1,646.2	1,762.7	1,981.4	2,052.3
Banks	1,407.3	1,445.3	1,453.5	1,475.6	1,580.8	1,773.8	1,864.1
Non-bank financial and credit institutions (NBFCIs), of which	147.6	145.6	158.8	170.6	181.9	207.6	188.1
Insurance companies	29.7	30.6	31.6	30.8	38.9	40.6	43.1
Pension funds	1.33	1.73	2.30	2.92	3.62	4.60	5.47
Investment funds	72.9	65.6	68.1	67.2	67.6	82.11 <sup>b</sup>	55.1 <sup>c</sup>
Other	43.7	47.6	56.8	69.7	71.9	80.4	84.5
<b>Credits, of which</b>	627.1	631.5	616.6	619.2	654.1	722.5	774.3
Banks	600.4	600.9	580.7	575.7	608.9	671	718.8
NBFCIs	26.7	30.6	35.9	43.5	45.2	51.5	55.5
<b>Non-performing loans/total loans</b>	18.0%	13.0%	10.9%	8.4%	8.2%	6.2%	5.5%
Non-performing bank loans	18.2%	13.2%	11.1%	8.4%	8.1%	5.7%	5.1%
Non-performing NBFCIs loans	10.8%	10.7%	8.5%	9.0%	10.5%	12.5%	12.5%
<b>Credits/GDP</b>	42.6%	40.7%	37.7%	36.6%	39.8%	38.2%	37.2%
<b>Deposits, of which</b>	1,162.0	1,171.3	1,187.2	1,201.37	1,294.84	1,442.71	1,512.34
Banks	1,157	1,165	1,180	1,193	1,286	1,433	1,502
NBFCIs	5.0	6.3	7.2	8.4	8.8	9.7	10.3
<b>Deposits/GDP</b>	78.9%	75.5%	72.5%	71.0%	78.8%	76.3%	72.6%
<b>Share of financial services in GDP</b>	2.01%	1.97%	1.93%	2.29%	2.36%	2.15%	..
of which insurance	0.98%	1.04%	1.01%	1.04%	1.01%	1.02%	..
Employment in the financial services sector (number)	6,949	6,877	6,738	6,383	6,563	6,609	6,637
of which insurance (number)	1,878	1,802	1,967	1,970	2,019	2,077	..
<b>Financial services exports as % of GDP</b>	0.02%	0.01%	0.06%	0.04%	0.09%	0.05%	..

.. Not available.

a Data as of September 2022.

b During 2021, two Alternative Investment Funds were licensed with total assets of ALL 4,245 million. The total assets of Collective Investment Undertakings (CIUs) with public offer are ALL 77,862 million.

c Does not include alternative investment fund (AIF) assets because they submit yearly reports.

Source: Information provided by the Bank of Albania and Financial Supervisory Authority.

##### 4.3.1.1 Banking services

4.87. The number of banks operating in Albania declined from 16 to 12 between 2014 and 2022 (and soon to 11 due the ongoing merger of two domestically owned banks) as a consequence of the progressive departure from the Albanian market of Greek banks linked to the bail-out of the Greek banking system. The last Greek bank present in Albania stopped its operations in 2021.

4.88. Nevertheless, the market is still largely dominated by foreign banks, whose cumulative assets in 2022 represented a share of 77% of the total assets. The proportion of domestically owned assets grew significantly during the review period, from 13.7% in 2014 to 33% in 2022.

4.89. Four of the five top banks in 2022 were foreign-owned, all in the form of full subsidiaries. The fifth bank is a locally owned bank, Credins Bank. The five top banks account for 75% of the market.

Whereas the number of banks decreased during the period, the concentration has remained virtually constant since 2014.

4.90. Following privatizations during the democratic transition, there is no more state ownership in the sector. While the volume of credits grew overall, the value and proportion of non-performing loans (NPLs) by banks, which had surged in the aftermath of the 2008 financial crisis, fell considerably during the review period, declining each year from 18.2% in 2016 to 5.1% in 2022 (Table 4.7). To obtain these results, the Government devised in 2015 an action plan including the improvement of the credit registry, the adoption of a modernized bankruptcy law (Law No. 110/2016)<sup>44</sup>, the obligation for banks to write off loans with three years of losses, improvements to the Civil Code to facilitate the seizure of collateral, the so-called "Tirana approach" encouraging the treatment of bad loans outside the courts, and a coordinated approach among banks specifically licensed to buy bad loans, especially from micro finance actors, and to act as a collective "bad bank".

4.91. Paradoxically, both deposits and credits measured as a percentage of GDP decreased, from 78.9% in 2016 to 72.6% in 2022 for deposits and from 42.6% in 2016 to 37.2% in 2022 for credits. This apparent paradox could be due to four factors: (i) GDP has increased more than both deposits and loans; (ii) almost half the deposits are maintained in foreign currencies, mostly in euro, which suffered a 15% depreciation during this period; (iii) almost half the loans are denominated in euro, and (iv) many NPLs have been written offs. The high proportion of both credits and deposits in foreign currencies is a notable feature of the banking system.

4.92. In its latest assessment of the stability of the Albanian financial system in December 2022, the IMF considered that:

The banking system has weathered the successive shocks relatively well, supported by the [Bank of Albania's] ongoing efforts to strengthen regulation and supervision, but pockets of vulnerabilities exist. ... Capitalization of the banking system is above regulatory requirements [except for one large bank]. The banking system is susceptible to credit, exchange rate and interest rate risks, reflecting large unhedged FX loans (a quarter of total loans), prevalence of banks loans with variable interest rates, and large holdings of government bonds.<sup>45</sup>

4.93. The IMF also notes that "the presence of banks with significant shareholding by individuals and non-financial groups raises the risk of capital shortfalls, related-party transactions, and large exposures"<sup>46</sup> and that this potential problem has to be tackled through increased supervision and the transposition of EU standards.

4.94. The Ministry of Finance and Economy is responsible for the coordination and the strategic management of international financial, monetary, and tax matters. The supervisory authority for the banking sector is the Bank of Albania (BoA), and the national competition authority is in charge of competition issues including for the banking sector.

4.95. Albania has three preferential arrangements affecting banking services. First, the Additional Protocol 6 of the Central European Free Trade Agreement (CEFTA) on trade in services, whose schedule of commitments entails preferential treatment on banking services for other CEFTA Parties compared those undertaken in the GATS schedule, which entered into force in 2021. Second, the Stabilisation and Association Agreement (SAA) between the European Union and Albania entails the approximation of Albanian legislation across all sectors and modes of supply that of the European Union. Third, the provisions of the SAA are preserved *mutatis mutandis* under the

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<sup>44</sup> Law 110/2016 is aimed to modernize and strengthen the insolvency framework by making it more efficient and transparent. For example, the law introduced the concept of accelerated reorganization using hybrid procedures (combining out-of-court and court procedures). It does not apply to insurance societies, banks, pension funds, and other deposit-takers for which insolvency is regulated under a specific law.

<sup>45</sup> IMF (2022), *Albania: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/362, pp. 15-16. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2022/12/09/Albania-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-526816>.

<sup>46</sup> IMF Country Report No. 22/362, p. 16.



Partnership, Trade and Cooperation Agreement between Albania and the United Kingdom, which entered into force in May 2021.

4.96. In May 2022, following a positive assessment of its supervisory framework by PwC Spain and supported by the EBRD, the BoA requested the formal equivalence process with the EU framework. The response to this request is still pending.

4.97. During the COVID-19 pandemic, the BoA undertook significant regulatory changes to alleviate the possible effects on financial institutions and in order to create facilities for borrowers regarding repayment of loans. These included a temporary moratorium on credit repayments to ease the mandatory classification and provisioning of loans, an easier framework on the classification and provisioning of restructured loans, and the planned introduction of more restrictive requirements on loan restructuring was postponed from January 2021 to January 2022. The reserve funds created for immovable properties acquired against debt settlement were suspended until December 2020. In April 2020, the Supervisory Council of the BoA decided to suspend dividend distribution by banks of the allocated profit from the previous periods, and the profit to be realized during the first half of 2020. This measure was subsequently extended multiple times to cover all profits until 2022.

4.98. There has been no major change to the banking licensing regime (Banking Law No. 9662/2006), which was described in detail in the previous Review<sup>47</sup>, except for three new instructions of the BoA.<sup>48</sup> These instructions address the reinforcement of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulatory framework (see below). The licensing process remains based on "fit and proper" test criteria. Additional criteria for foreign banks include that a requesting foreign bank must be supervised on a consolidated and sustainable basis by the relevant foreign supervisory authorities and must provide certain documentation (e.g. information relating to the assessment of the bank's performance issued by the supervisory authority of the home country and by the international rating agencies and ratings, if applicable).

4.99. Banking licences are delivered by the Supervisory Council of the BoA. There are no limitations on the number of banks licensed. The licensing process of banks and branches of foreign banks includes two phases: the initial approval, and the granting of the licence. The BoA shall, within three months of the date of the acceptance of the application for a licence, grant or refuse the initial approval, and shall notify the applicant of such decision in writing. The BoA shall repeal the initial approval if the bank, or the branch of the foreign bank, does not meet the conditions for obtaining the licence within 12 months of the initial approval. The BoA has the right to extend this deadline for no longer than six months from the date of its expiry.

4.100. The licence is perpetual, non-transferable, and not tradable. The annex activities, for which the bank, or the branch of a foreign bank, is licensed following compliance with the requirements set out in the Banking Law and by-laws issued by the BoA, are an integral part of the licence. The minimum capital requirements for subsidiaries and for branches are the same: ALL 1 billion.

4.101. Interest rates and fees charged are determined freely by banks, but all financial institutions are required to make transparent the methodology for their calculation. Since the beginning of 2022, a cap on Effective Interest Rates (EIR), i.e. the addition of interest rate, commissions, fees, compulsory insurance, and other compulsory expenses that are charged to the borrower, was instituted. It applies only to consumer loans as a consumer protection measure. The cap is calculated based on the market average for the previous six months plus 33% and is published every semester.

4.102. During the review period, Albania updated the prudential regulations for the banking sector, transposing the (evolving) EU *acquis* (Table 4.8). In 2019, in line with Basel III requirements, the minimum ratio of Common Equity Tier 1 to the risk-weighted exposures was raised from 4.5% to 6.75%, and the minimum ratio of Tier 1 capital to risk-weighted exposures was raised from 6% to 9%, by proportionally adapting these ratios to the required minimum capital adequacy ratio of 12%.

<sup>47</sup> WTO document [WT/TPR/S/337/Rev.1](#), Box 4.4.

<sup>48</sup> Decisions No. 15/2016, No. 46/2019, and No. 61/2021 of the Supervisory Council of the BoA, which amended Regulation No. 14/2009 on Granting the License and the Exercise of Banking Activity of Banks and Branches of Foreign Banks in the Republic of Albania.

4.103. Albania also adopted numerous AML/CFT measures during the review period.<sup>49</sup> These regulations were adopted following the recommendations of the MONEYVAL<sup>50</sup> experts and amend the basic AML/CFT framework established by Law No. 9917/2008 on the Prevention of Money Laundering and Financing of Terrorism.

**Table 4.8 Prudential regulations adopted since 2017 and corresponding EU *acquis***

New Albanian prudential regulation	Corresponding EU <i>acquis</i>
Regulation No. 04/2017 on Consolidated Supervision	Regulation (EU) No. 575/2013/EU on Prudential Requirements for Credit Institutions and Investment Firms and Delegated Regulation (EU) 2015/2303 on regulatory technical standards specifying the definitions and coordinating the supplementary supervision of risk concentration and intra-group transactions
Regulation No. 59/2008 on Transparency for Banking and Financial Products and Services, amended by Decisions No. 25/2017 and No. 64/2021	Directive 2008/48/EC on Credit Agreements for Consumers and Directive 2014/17/EU on Credit Agreements for Consumers Relating to Residential Immovable Property; and Regulation (EU) 2016/1011, known also as the "Benchmark Regulation"
Regulation No. 63/2012 on the Core Management Principles of Banks and Branches of Foreign Banks and Criteria for the Approval of their Administrators, amended by Decisions No. 73/2017 and No. 21/2022	Relevant EBA Guidelines relating to Directive 2013/36/EU, Directive 2014/65/EU, and Regulation (EU) No. 575/2013. Joint relevant ESMA and EBA Guidelines relating to Directives 2013/36/EU and 2014/65/EU
Regulation No. 67/2015 on the Internal Audit System, amended by Decision No. 74/2017	Relevant EBA Guidelines relating to Directive 2013/36/EU and Directive 2014/65/EU
Regulation No. 48/2015 on Consumer Credit and Mortgage Credit, amended by Decisions No. 27/2018 and No. 69/2021	Directive 2014/17/EU on Credit Agreements for Consumers Relating to Residential Immovable Property and Directive 2008/48/EU on Credit Agreements for Consumers
Regulation No. 69/2014 on the Regulatory Capital of the Bank, amended by Decisions No. 2/2019 and No. 45/2022	Regulations (EU) No. 575/2013 and No. 2019/876 and Technical Standards drafted for their implementation
Regulation No. 27/2019 on Liquidity Coverage Ratio, amended by Decision No. 46/2021	Regulation (EU) No. 575/2013 and EU Commission Delegated Regulation No. 2015/61, amended to reflect Regulation (EU) No. 2019/876 (CRR II)
Regulation No. 48/2013 on Capital Adequacy Ratio, amended by Decisions No. 7/2020, No. 68/2021, and No. 44/2022	Regulations (EU) No. 575/2013 and No. 2019/876 and Technical Standards drafted for their implementation
Regulation No. 10/2014 on Risk Management from Large Exposure of Banks, amended by Decision No. 53/2020	CRR and CRR II (Regulation (EU) No. 575/2013 reviewed through CRR II or Regulation (EU) No. 2019/876)
Regulation No. 63/2020 on the Leverage Ratio of Banks	CRR and CRR II (Regulation (EU) No. 575/2013 amended by Regulation (EU) No. 2019/876)
Regulation No. 70/2020 on the Net Stable Funding Ratio of Banks	CRR and CRR II (Regulation (EU) No. 575/2013 amended by Regulation (EU) No. 2019/876/EU)

Source: Information provided by the authorities.

4.104. The changes deal mainly with additional requirements of the authority for applying entities, during the licensing process, related with the integrity of shareholders/owners (including indirect shareholders/owners and ultimate beneficiaries). They also expand the focus on persons related to

<sup>49</sup> Decision No. 22/2017 amending Regulation No. 44/2009 on Prevention of Money Laundering and Terrorist Financing; Decision No. 46/2019 amending Regulation No. 14/2009 on Licensing and Carrying Out the Activity of Banks and Branches of Foreign Banks in the Republic of Albania; Decision No. 47/2019 amending Regulation No. 01/2013 on Licensing and Activity of Non-bank Financial Institutions; Decisions No. 48/2019 and No. 52/2022 amending Regulation No. 104/2016 on Licensing and Activity of Savings and Loan Associations and Their Unions; Decision No. 49/2019 amending Regulation No. 31/2007 on Licensing, Organization, Activity and Supervision of Foreign Exchange Bureaus; and Decision No. 50/2019 amending Regulation No 2/2013 on Risk Management in the Activity of Non-bank Financial Institutions.

<sup>50</sup> MONEYVAL, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

shareholders if they have criminal records. In addition, requirements were added to ensure a process of continuous reassessment of the integrity of shareholders/owners, to impose a reporting of the results once a year to the BoA, and to notify whenever there are changes to the conditions under which the licence was granted and prior approvals.

4.105. The newly adopted regulations also provided some cases where the BoA can refuse to grant a licence, mainly if the entity that is expected to be licensed may harm the public interest, or if the shareholders/owners of the proposed entity present a high risk, they present a shell bank, own bearer shares, or are nominee shareholders, or if the entity has a complex ownership structure.

4.106. This AML/CFT legal framework was reviewed five times by the Financial Action Task Force (FATF) during the review period. The initial Mutual Evaluation Report was adopted in July 2018, followed by four "enhanced" follow-up reports.<sup>51</sup> Albania remains under enhanced surveillance and is due to report to MONEYVAL on its progress within two years. As a result of these evaluations, Albania is currently rated as "compliant" on 6 recommendations, "largely compliant" on 31 recommendations, "partially compliant" on 2 recommendations, and 1 recommendation is not applicable.

4.107. Albania also modernized its legal framework for payment systems to promote and facilitate e-payments with the triple aim of transposing the EU *acquis*, reducing the size of the informal economy, and fighting organized crime. The Law on Payments Services and the Law on Payment Account with Basic Features therefore transpose EU Directive 2015/2366. The objective set by the 2017 national strategy on payments of 10 cashless payments per capita by end-2023 has already been achieved, with a figure of 12.5 in 2021 and 16 in 2022.

4.108. The bank deposit insurance scheme continues to guarantee ALL 2.5 million per depositor and is still funded by a contribution of the banks based on the average of insured deposits registered in the bank on the last day of every month for each quarter. Its scope was enlarged during the period under review to include accounts detained in savings and credit associations. Savings and loans associations and their unions contribute to the fund since they collect deposits from their members.

#### 4.3.1.2 Savings and loans and micro finance institutions

4.109. As of December 2022, there were 16 active savings and loans associations (SLAs). The total assets of the SLAs amount to ALL 14.2 billion, representing only 0.75% of the total assets of the banking system. The asset structure of the SLAs is oriented towards lending to its members (72%) and liquid assets (22%). The gross loan portfolio of SLAs amounts to ALL 10.7 billion and constitutes only 1.48% of the loan portfolio of the banking system. In December 2022, the indicator of NPLs for SLAs reached 4.71%, with a decrease of 0.47 percentage points compared with the previous year. During 2022, SLAs generated a positive financial result, amounting to ALL 184 million. This result is slightly lower compared with the previous year. For 2022, the average return on assets was 1.29%, while the average return on capital reached 10.47%.

4.110. Most of the credit portfolio of non-bank financial institutions (NBFIs) including those focused on microfinance is held by the entities licensed for all lending activities and micro lending (77%). The loan portfolio of NBFIs reached 6.24% of the total loan portfolio of the banking system, registering an increase of 0.34 p.p. compared to the previous year (Table 4.9).

**Table 4.9 Lending activities of non-bank financial institutions, 2019-22**

(ALL billion)

Lending activities	December 2019	December 2020	December 2021	December 2022
General lending activities	14.7	15.6	16.6	18.4
Micro lending	11.4	11.6	15.4	18.0
Financial lease	8.9	9.1	9.6	10.4
Factoring	0.5	0.4	0.5	0.4
<b>Gross portfolio</b>	<b>35.5</b>	<b>36.6</b>	<b>42.1</b>	<b>47.4</b>

Source: Bank of Albania.

<sup>51</sup> For the latest of these reports see: <https://rm.coe.int/moneyval-2023-2-fur-albania/1680abad5a>.

4.111. At the end of 2022, the indicator of NPL (gross) stood at 13.2% (slightly lower than the previous year), while NPL (net) stood at only 3.5%. The increase in the total number of NPLs appears higher among lending and microlending entities. During 2022, NBFIs generated a positive result of ALL 3.33 billion, the highest contribution coming from microlending entities. The net result of NBFIs constituted about 13.3% of the result of the banking system. The average return on assets for NBFIs reached 4.11%, while the average return on equity reached 10.7%.

4.112. Albanian Post does not play a significant role in financial services. It does not have a banking licence but only an Electronic Money Institution licence, which is mainly used for the payment of pensions and social allowances.

### 4.3.1.3 Insurance services

4.113. In 2022, there were 12 insurance companies, of which 4 life and 8 non-life, and 1 of the non-life insurance companies also licensed to carry out reinsurance. Of these companies, four are majority foreign-owned. All foreign insurance companies operate as full subsidiaries. In terms of capital, 53% of the cumulated capital of insurance companies is foreign owned. This compares to 10 companies and 43.84% of foreign-owned capital at the beginning of the period in 2015.

4.114. The total balance sheet of the insurance sector as of 31 December 2022 was ALL 43.6 billion, of which life insurance (8%) and non-life (92%), with the share of gross written premiums as a share of GDP remaining broadly unchanged (Table 4.10). The cumulative market share of the top five companies in 2022 was 100% for life insurance, and 80.30% for non-life.

**Table 4.10 Gross written premiums, 2018-22**

(ALL billion)

	2018	2019	2020	2021	2022
As share of GDP (%)	1.03	1.04	1.01	1.02	0.99
Life insurance	1.10	1.20	1.20	1.40	1.70
Non-life insurance	15.80	16.40	15.40	17.80	19.40

Source: Information provided by the authorities.

4.115. The authority in charge of insurance regulation and supervision, including licensing and insurance sector market conduct, is the Albanian Financial Supervisory Authority (AFSA). The national competition authority is in charge of competition issues including for the insurance sector.

4.116. The main regulatory development for the sector during the period under review was the adoption of the new Law on Insurance in the Transport Sector approved by Parliament on 16 March 2021 and which entered into force on 1 July 2021. This law is partially aligned with Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles.

4.117. As a member of the International Association of Insurance Supervision (IAIS), AFSA is a signatory to a 2022 multilateral memorandum of understanding (MMoU) for cooperation and information exchange between the 77 IAIS members. Albania underwent a two-year peer review process of all Insurance Core Principles (ICPs), which are international standards for the supervision of its insurance market. This assessment stated that out of 24 ICPs, 10 were observed and 12 were largely observed<sup>52</sup> and 2 not applicable.

4.118. The provisions on the supervision of domestic insurance companies apply, *mutatis mutandis*, to the supervision of other persons, including branches of insurance companies from foreign countries or EU member States. In the case of EU member States, the Law stipulates that an insurance company carrying out insurance activity under specific classes in an EU member State may also carry out insurance activity under the same classes in Albania, either directly or through its branch. However, the provisions of the Law that are related to direct insurance provided by an insurance company from an EU member State in Albania shall be applicable as of the date Albania

<sup>52</sup> For more detailed elements on this assessment, see: <https://www.iaisweb.org/2023/07/detailed-assessment-of-observance-of-the-iais-insurance-core-principles-in-albania/>.

becomes a member of the European Union and, as a consequence, the rest of the regulation of the direct insurance activity will take place after its accession to the European Union.

4.119. The licensing process of the insurance companies is regulated by Law No. 52/2014 on the Insurance and Reinsurance Activity, which was described in detail in the previous Review and did not change substantially during the period under review.<sup>53</sup>

4.120. Foreign-owned companies wishing to carry out business activity in Albania may do so either by establishing a subsidiary or through a branch. AFSA may refuse to approve an application for licensing a foreign insurance company branch in the absence of reciprocity. In this context, lack of reciprocity shall mean that the supervisory standards are not equivalent to the Albanian supervisory framework. The aim of this reciprocity provision is to ensure stability in the domestic insurance market and ensure effective supervision of all the operators in this market. Licensing criteria are based on technical and financial capacities, minimum capital requirements, business plans, and risk management.

4.121. Licences for life insurance activities are granted separately from licences for non-life insurance. There is no differential treatment for foreigners in the licensing process and no limitation on the number of providers. The maximum processing time for an application is 12 months. The period of validity is unlimited, and licences are non-transferable and not purchasable. The minimum capital requirements to obtain a licence is ALL 260 million for non-life insurance and ALL 370 million for life insurance.

4.122. There is no approval required for life and non-life premiums and products.

#### **4.3.1.4 Pension funds**

4.123. At the end of 2022, there were four management companies, four voluntary pension funds, and three banks as depositories of these pension funds operating on the pension fund market. The management companies are also licensed to manage collective investment undertakings. Throughout 2022, two new voluntary pension funds were granted licences, and one of these two funds began operating in January 2023. The other one has not started its activity yet.

4.124. Among the two management companies licensed for managing the pension funds, one is 100% foreign-owned, and the other is 51% owned by foreign interests, and 49% domestically owned. At the end of 2022, the total assets of pensions funds stood at ALL 5.7 billion.

4.125. AFSA is the sole regulatory and supervisory authority of the voluntary pension fund market. The basic law regulating the matter is Law No. 10197/2009 on Voluntary Pension Funds.

4.126. AFSA has drafted a new law on private pension funds in order to comply with Directive (EU) 2016/2341 on the Activities and Supervision of Occupational Pension Institutions (IORP II). The draft law is currently scheduled to be approved by the Parliament in 2023. It aims at developing the market for private pension funds, through the increase of participation in private pension schemes, the review of investment policy, fiscal incentives, and the increase of the confidence of the fund members by raising the requirements for transparency and information, as well as by establishing clear rules regarding the transparency and governance of pension fund management companies.

4.127. The draft law contains the following elements: (i) creation of two forms of pension funds: "open-end" and "closed-end"<sup>54</sup>; (ii) improvements of the licensing procedure of pension fund management companies; (iii) increasing transparency and information requirements towards the pension fund members; (iv) new rules on governance and risk management; (v) portfolio diversification obligations through investment policy review; (vi) marketing and promotional activity; (vii) authorization of cross-border activity of management companies that offer closed-end private pension funds; and (viii) tax incentives to create fiscal incentives for pension fund members and beneficiaries.

<sup>53</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, Box 4.5.

<sup>54</sup> The closed-end pension fund is defined in accordance with Directive IORP II.



#### 4.3.1.5 Collective investment undertakings services

4.128. Currently six management companies operate on the collective investment market, of which four are management companies that administer both voluntary pension funds and collective investment undertakings and two are management companies administering only collective investment undertakings. In addition, there are 11 "open ended publicly offered investment funds" and 2 "alternative investment funds" (AIFs). The net asset value of investment funds at the end of 2022 reached about ALL 46.05 billion (about EUR 403 million).

4.129. AFSA is the supervisory authority for the investment funds sector, and the national competition authority is in charge of competition issues including for the collective investment undertaking sector.

4.130. The establishment and registration of collective investment undertakings is determined by Law No. 56/2020 on Collective Investment Undertakings (CIUs), which replaced Law No. 10198/2009. The new law introduced a number of changes, including enabling the creation of new forms of CIUs such as Undertaking for Collective Investment in Transferable Securities (UCITS), non-UCITS, and AIFs<sup>55</sup>, increasing investor protection through additional information and documentation requirements, allowing under certain circumstances the recognition of undertakings that can be publicly offered in their country of origin for the cross-border administration and marketing of CIUs in Albania, and imposing the appointment of a depositary to each undertaking administered by a management company to ensure investment property is held separately. Foreign management companies licensed by an EU member State benefit from automatic recognition, in accordance with the EU-Albania SAA. Foreign non-EU management companies may be recognized by AFSA if they fulfil the relevant conditions (including prudential) and equivalent arrangements for recognition of foreign management companies exist in the applicant undertaking's home country. In the case of foreign alternative investment companies, there is no preferential treatment for EU-licensed companies and recognition may be granted by AFSA based on the same criteria as mentioned above.

4.131. For all of these types of licences, the period of validity is indefinite, they are not transferable, and there are no limitations on the number of providers/licences.

#### 4.3.1.6 Securities and stock exchanges services

4.132. Capital market services are still embryonic in Albania. The government securities market is one of the biggest segments, followed by the market of bonds issued through private placement with an outstanding volume of about EUR 123 million at the end of 2022. However, during the period under review, the main preconditions for capital market development were established and the legal and regulatory framework governing the capital market as well as the trade and post-trade infrastructure has been put in place. The Government intends to develop further the capital market and has approved a policy document on its development, prepared by AFSA in collaboration with the Ministry of Finance and Economy in 2023.<sup>56</sup> The policy aims to provide alternative sources of funding to businesses via the issuance of corporate bonds or IPOs, and also includes the possible listing of some SOEs (Section 3.3.5).

4.133. A privately owned securities exchange (ALSE) was licensed in 2017 and has been operational since 2018. Government securities are traded mainly on the ALSE. At the end of April 2023, AFSA approved the first prospectus of corporate bonds issued by a company (microfinance institution) through public offer. These bonds are already admitted to trading on the ALSE. The establishment in 2019 of a company operating as Central Securities Depository made the post-trade infrastructure for corporate securities fully operational.

<sup>55</sup> Alternative funds can only be marketed and sold to professional investors, are only registered with the Authority, and do not have prudential supervisory requirements, while the management company of AIFs and the depositary of AIFs are regulated by the Law according to the relevant EU Directive.

<sup>56</sup> The policy document, *Enabling the Environment for Capital Market Development in Albania, 2023-2027*, was approved by Council of Ministers Decision No. 266/2023.



4.134. The legal framework of those services was revamped with Law No. 62/2020 on Capital Markets and its various by-laws, which were finalized in 2020.<sup>57</sup> Drafted in alignment with EU Directives and Regulations in the field of capital markets, especially with the Directive of Markets in Financial Instruments (MIFID II), the law sets (i) stricter requirements for licensing and regulation of entities operating in the capital market and investment fund markets; (ii) transparency requirements for issuers and listed companies; and (iii) higher requirements for the market operators in order to prevent market abuse and manipulation.

4.135. The Ministry of Finance and Economy is responsible for guiding the legislative process in the capital market sector; it is the proposing ministry of such legislation and it follows the entire process until the approval of legislation by the Parliament. In addition, the Ministry of Finance and Economy cooperates with local authorities and market participants for enhancing capital market development. AFSA is the supervisory authority for the capital market sector, and the national competition authority is in charge of competition issues including for the capital market sector.

4.136. The licensing conditions for foreign security dealers and assets managers are identical. They can provide their services by the establishment of a branch or representative office, or by the use of a tied agent established in Albania, provided that those services and activities are covered by a licence granted by their home country competent authority. Unless the Authority has reason to doubt the adequacy of the administrative structure or the financial situation of a foreign investment firm, taking into account the activities envisaged, it must, within three months of the reception of the request, recognize the foreign investment firm and inform its home state or country regulatory authority and the foreign investment firm accordingly. The existence of equivalent arrangements for recognition of foreign investment firm in the home country's legislation of the applicant is a pre-condition for such recognition. There is no preferential treatment for EU firms in that regard.

4.137. Regarding foreign-owned exchanges, no person can establish or operate an exchange or maintain or assist in establishing, operating, or maintaining an exchange, unless the person is licensed or recognized by AFSA. Any legal person that is licensed as a market institution in a foreign country may apply to the Authority for recognition. The Authority may recognize an operator of a foreign market institution where it is established that the market institution complies with the requirements that are equivalent to those provided for in Law No. 62/2020 and by-laws made under it. There, too, there is no preferential treatment for EU firms.

4.138. The period of validity of those licences is indefinite, and they are not transferable. There are no limitations on the number of providers and no restrictions on foreigners buying and selling on the stock market.

4.139. Companies listed on an exchange in the future will have to submit reports to AFSA and to the public at least semi-annually, and are required to publish relevant *ad hoc* notices on significant developments. They must also submit information to the Authority and to the public regarding significant developments that may reasonably be expected to have a significant effect on the price of the securities market no later than the close of the second business day following such development, or sooner, to protect investors or the market. Every issuer of a security listed for trading on an exchange must also file with the exchange a copy of any report filed with AFSA.

#### **4.3.1.7 Fintech and crypto-assets**

4.140. As a complement to its 2017 national payment strategy (see above), Albania adopted on Law No. 66/2020 on Financial Markets based on Distributed Ledger Technology, which entered into force on 1 September 2020. It provides the legal framework for the regulation and supervision of crypto-assets and entities that are engaged in the issuance, trading, and custody of these assets. The legislation covers conduct, prudential, and anti-money laundering elements.

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<sup>57</sup> Notably, Regulations No. 195/2020 on Licensing of Investment Firms, Branch Registration and Recognition of Foreign Investment Firms; No. 196/2020 on Certification and Qualifications of Investment Firm Key Function Holders; No. 197/2020 on Clients Suitability Assessment; No. 187/2020 on the Form and Registering Procedure of Bond Issuance Offering Memorandum; and No. 188/2020 on the Registration and Activity of Investment Firm's Tied Agent. Other by-laws have been drafted within the framework of a new project, "Strengthening the Supervision Capacities of AFSA: Focus on Capital Market Development", with support of the World Bank.

### 4.3.2 Telecommunications services

4.141. The telecommunications sector in Albania significantly developed during the period under review (Table 4.11), in line with the general evolution of the sector (e.g. decline of fixed lines, growth of Internet broadband, and active enforcement of the interconnection competition regime), on par with regional averages and with an increased concentration of the mobile providers.

**Table 4.11 Main economic indicators of the telecommunications sector, 2016-22**

	2016	2017	2018	2019	2020	2021	2022
<b>Subscriptions (including pre-paid) per 100 inhabitants</b>							
Fixed-line telephony	8.6	8.8	8.7	8.5	7.9	7.0	6.4
Mobile telephony	182.9	198.5	144.3	118	117.2	123.1	132.5
Internet (fixed broadband)	9.3	10.8	12.6	15.2	17.8	19.7	20.3
Internet (mobile broadband)	60.0	72.0	63.0	63.0	70.0	73.0	84.0
<b>Overall Internet users per 100 inhabitants</b>	67.6	83.3	75.6	77.7	88.1	92.4	104.3
<b>Number of active users</b>							
Fixed-line	248,640	246,720	248,631	242,859	223,469	197,690	178,227
Internet (fixed broadband)	266,379	303,612	361,947	436,192	508,937	559,394	567,710
Mobile	3,490,686	3,625,699	2,714,878	2,630,076	2,618,880	2,635,466	2,923,471
Internet (mobile + fixed)	1,686,354	2,030,978	1,809,996	1,789,158	1,998,579	2,056,444	2,347,871
<b>Market share of the top provider</b>							
Fixed-line	71.0%	69.5%	71.2%	72.7%	75.2%	77.3%	80.1%
Mobile	51.0%	48.0%	47.0%	48.0%	47.0%	45.0%	48.0%
Internet (fixed broadband)	41.0%	40.0%	36.0%	31.0%	25.0%	21.0%	22.0%
Internet (mobile broadband)	55.0%	51.0%	47.0%	53.0%	49.0%	45.0%	49.0%
<b>Cumulative market share of top 3 providers</b>							
Fixed-line	91.8%	92.9%	92.0%	92.0%	92.6%	91.9%	91.2%
Mobile	95.0%	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Internet (fixed broadband)	75.0%	75.0%	68.0%	60.0%	56.0%	52.0%	51.0%
Internet (mobile broadband)	96.0%	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Information provided by the authorities.

4.142. Penetration rates of fixed-line telephony subscriptions declined to less than 7%, while that of fixed broadband has more than doubled from 9.3% to 20.3% (Table 4.11). Mobile subscriptions declined from 182 per 100 inhabitants in 2016 to 132 in 2022 with lower points during the period but remain above the 100% threshold. This decline comes for the "on-net vs off-net" measure imposed by the Authority of Electronic Communications (AKEP), i.e. a measure imposed to mobile operators not to differentiate calls on-net vs off-net, thereby removing the so-called "club effect". The number portability regulation (see below) also played a role in that evolution. Subscriptions of mobile broadband grew by a third from 60 to 84 per 100 inhabitants during the period, while the number of Internet subscriptions (fixed and mobile) per 100 inhabitants passed the 100% threshold in 2022. Similar evolutions can be observed in terms of active users.

4.143. The fixed-line market appears more concentrated, increasingly so for the share of the top provider (from 71% in 2015 to 80.1 % in 2021) but in a stable manner for the cumulative market share of the top three providers (around 92%). For mobile, and except for 2016, the share of the top provider is below the 50% threshold, while that of the top three providers reached 100% in 2017. The evolution of the concentration of the mobile broadband market appears comparable to that of mobile telephony, a market to which it is linked through bundled subscriptions.

4.144. In the fixed broadband market, the level of concentration is low as there are many players and as no individual operator is in a dominant position in the retail market. This already low level of

concentration decreased notably during the period both in terms of share of the top provider and of share of the top three providers.

4.145. Prices have notably decreased since the previous Review but cannot be fully compared to those described in that report<sup>58</sup>, the International Telecommunication Union (ITU) having since refined its methodology and decomposed its indicator into four "baskets" instead of one single figure and taking into account the existence of bundled subscriptions. The 2021 prices expressed in terms of a percentage of monthly gross national income (GNI) per capita stand at 1.51% for the fixed broadband bundle (5 gigabits), 1.72% of GNI per capita for the low consumption bundle of minutes, SMS, and Internet (70 min + 20 SMS + 500 MB); 2.16% for "Data only (more than 2 GB)" package; and 3.45% for the "Mobile data and voice high-consumption basket (140 min + 70 SMS + 2 GB)" package. Like for penetration rates, these figures are in line with regional averages.

4.146. In terms of operators present in the different markets, the number of companies providing value added services is relatively small though it grew from 34 companies in 2015 to 40 companies in June 2023. Regarding basic telecommunications services, there were 250 operators providing services from fixed networks, up from 80 in 2015. This market is dual and composed, on the one hand, of a multitude of small-size actors with only a local dimension and, on the other hand, of seven large actors with a national dimension accounting for about 80% of the market. For fixed telephony the main actors are Albtelecom (former incumbent, merged in December 2022 with One Albania, owned by a consortium of two Turkish companies, sold in 2021 to a Hungarian company, and in which the Albanian State holds a minority share of 2.55%) with a market share of 21% in 2021; Vodafone Albania (owned by Vodafone Group) with 20%; followed by four Albanian-owned companies (i.e. ASC (11%), Abissnet (8%), Digicom (4%), and Nisatel (4%)). The rest of the operators account for 33% of the market. Vodafone Albania merged in 2020 with Abcom, a US-owned operator, which had a market share of 4% at the beginning of the period.

4.147. There were four mobile telephone operators at the beginning of the period, but one of them, Plus Communications, left the market in 2018. The three remaining operators during the period were Vodafone Albania, with a market share of 48% in 2021; One Telecommunications (formerly owned by a consortium between Deutsche Telekom and the Greek operator OTE and sold in 2021 to the same Hungarian company, 4iG, that bought the majority of the shares of Albtelecom) with a market share of 39%, and Albtelecom with a market share of 13%. As a consequence of their common shareholding, One Telecommunications and Albtelecom were merged in 2022, leaving the Albanian mobile market with only two mobile operators. No figures are published yet on their combined market share.

4.148. For mobile broadband services (number of broadband active users in mobile), the leading operator is Vodafone Albania with a market share of 48% in 2022, followed by One Telecommunications (39%) and Albtelecom (13%). For fixed broadband, the leading companies are Vodafone Albania (22%), Albtelecom (19%), and ASC (10%).

4.149. The Albanian market for fixed broadband is characterized by the presence of the two national backbones/operators, Albtelecom and ATU-Digicom, which have the largest share of the backbone market and operate both at wholesale and retail levels, and by the presence of almost 2,250 other registered telecommunications operators of varying size, most of them small and operating in local areas. In June 2020, Albania adopted a national Masterplan for the Sustainable Development of Digital Infrastructure for Broadband. Its main targets for 2025 are a 100% penetration rate of broadband for households, businesses, and public institutions with 50% having access to a speed of 1 Gbps and 50% having access at least at a speed of 100 Mbps.

4.150. AKEP is the independent regulatory body in the field of electronic communications and postal services. It supervises the regulatory framework defined by Law No. 9918/2008 on Electronic Communication in the Republic of Albania as amended, and the implementation of development policies defined by the Council of Ministers. Law No. 9918 is largely based on Directive 2002/21/EC.<sup>59</sup> This regulatory framework was described in detail in the last two previous TPR reports<sup>60</sup> and did not substantially change during the period under review except for the adoption of a new National Plan

<sup>58</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, para. 4.50.

<sup>59</sup> The law was also amended by Law No. 102/2012 so as to transpose the 2009 EU telecom package.

<sup>60</sup> WTO documents [WT/TPR/S/337/Rev.1](#), 1 August 2016, Box 4.2, and [WT/TPR/S/229/Rev.1](#), 5 May 2010, paras. 40-46, pp. 89-90.

for the development of broadband in June 2020 by the Council of Ministers (Council of Ministers Decision No. 434/2020).

4.151. The MIE is now working closely with AKEP on the transposition of the 2018 European Electronic Communication Code into national legislation. A new electronic communication law is expected to be approved in 2023. The matters covered by the new law will include, *inter alia*, universal services, consumer protection, quality of service, analysis of markets, and additional flexibility for spectrum management. As far as universal services are concerned, this transposition will bring changes to a regime otherwise unchanged since the last Review (see below).

4.152. Regarding the mobile interconnection regime and its implementation, there has been no change since the development described in the previous Review,<sup>61</sup> i.e. that the obligation to offer access to Mobile Virtual Network Operators (MVNOs) was imposed on the two largest mobile operators in March 2010 but abolished in July 2012 since there had been no requests to establish MVNOs. This does not preclude new MVNOs establishing in the future to request the resolution of their mobile interconnection complaint by the regulator if they fail to agree on access with mobile network operators.

4.153. Fixed interconnection is regulated by Law No. 9918/2008 on Electronic Communications by Regulation on Access and Interconnection, by AKEP's decisions on Significant Market Power (SMP) operators, and by reference interconnection offers and interconnection agreements. This regulation was actively implemented during the period under review.

4.154. First, in 2017 AKEP conducted detailed market analysis on three broadband submarkets (Wholesale Local Access (WLA), Wholesale Central Access (WCA), and Wholesale High Quality Access (WHQA)); identified the incumbent Albtelecom as the SMP operator in each of those markets; and imposed regulatory remedies. For the WLA market, the remedies imposed were non-discrimination and transparency obligations and access to physical infrastructure obligation (pipelines/link pins for points of interconnection with MSAN – i.e. a new switching technology for fixed networks to connect broadband customers), control/adjustment of Local Loop Unbundling (LLU) tariffs, and pipeline access at the local level. For the WCA market, obligations imposed were non-discrimination, transparency of tariffs and services publication, obligation for Albtelecom to provide bitstream access to a minimum 12 points in the main regions of Albania, and control/adjustment of bitstream access tariffs. For the WHQA market, the obligations imposed were non-discrimination, transparency of tariffs, and services publication; obligation for Albtelecom, identified as the SMP operator, to lease lines; liabilities for access to national/inter-urban and local lines (termination segment); and control/adjustment of access tariffs in pipelines/leased lines. AKEP will re-examine the three submarkets of WLA, WCA, and WHQA in 2023.

4.155. For fixed call termination, AKEP launched another market analysis in 2018 and identified Albtelecom and 67 operators as SMPs on their own networks. The obligations imposed on these operators were transparency (but no Reference Interconnection Offer obligation), non-discrimination, provision of access, and price regulation.

4.156. Second, a new series of market analysis was launched in 2020 on "access and call origination" and "call termination for mobile services". On access and call origination, AKEP concluded that no SMP designation or remedies were needed in this market. On mobile call termination, AKEP decided to develop a new cost model based on Bottom Up Long Run Incremental Cost (BULRIC) cost models.

4.157. As a result of the active implementation of the interconnection regime, the number of interconnection complaints submitted to the regulator fell from 35 between 2010 and 2015 to 6 between 2016 and 2022.

4.158. On facility sharing, the main regulatory development was the adoption of Law No. 120/2016 on the Deployment of High-speed Electronic Communications Networks and for Ensuring Rights of Way. The objective of this law is to reduce the cost of building broadband networks, facilitate and streamline the relevant procedures, and ensure rights of way for the deployment of broadband networks. The Law is based on Directive 2014/61/EU, which it approximates. Its main provisions

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<sup>61</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, Box 4.2.

relate to access to and transparency of existing physical infrastructure, coordination and transparency of planned civil works, access to the centralized information system, permit granting, in-building infrastructure, and a dispute resolution body.

4.159. Regarding LLU, AKEP designated Albtelecom as an SMP operator for fixed local access and bitstream access, in 2014, 2016, and 2017, and has imposed on it the obligation to publish a Reference Unbundling Offer (RUO).

4.160. On number portability, AKEP Regulation No. 43/2016 on the Number Portability Implementation Method replaced Regulation No. 13/2010 on Number Portability, and introduced several operational changes and clearer rules on the portability obligations for operators compared to the regulatory regime described in the previous Review.<sup>62</sup> During 2022, 44,243 mobile numbers and 911 fixed numbers were ported.

4.161. Regarding spectrum management, AKEP renewed in 2016 licences for two mobile operators, Telecom Albania and Vodafone Albania, for the bands 900 MHz and 1,800 MHz, for 15 years. In 2019, AKEP renewed the licence for the other mobile operator, Albtelecom, for the bands 900 MHz and 1,800 MHz, for 15 years. One Communications and Vodafone Albania won spectrum auctions on the 800 MHz band in March 2019 and September 2019. Council of Ministers Decision No. 300/2015 authorized the removal of technological restrictions, so that operators can use all the authorized spectrum without technology restrictions for GSM (2G), UMTS (3G), and IMT/LTE (4G). Mobile operators have taken advantage of this opportunity for 4G.

4.162. A new National Frequency Plan was approved by Council of Ministers Decision No. 1187/2020. This frequency plan is based on international best practices.<sup>63</sup> The most important frequency bands for 5G cellular networks (700 MHz, 3,400 MHz-3,800 MHz, and 26 GHz) are included in this plan. These bands are not yet tendered/licensed by AKEP, because the 700 MHz band is still under the administration of the Audiovisual Media Authority and used by media broadcasting operators. Expectations are that the 700 MHz band will be released within 2023. Bands 3,400 MHz-3,800 MHz and 26 GHz are not allocated to operators and AKEP is cooperating with the MIE to define if there can be a tender on these bands in 2023 or 2024.

4.163. There was no change during the review period on the general licensing regime based on authorization adopted in 2008 and described in detail in the previous Review.<sup>64</sup>

4.164. Roaming fees were abolished by a Regional Roaming Agreement signed on 4 April 2019 among the six Western Balkan countries. This agreement was progressively applied as of 1 July 2019 and was fully implemented on 1 July 2021.

4.165. Finally, regarding universal service, pursuant to Law No. 9918/2008, the services included in the scope of the universal service obligations should be available to users across Albania regardless of geographic location, at a quality and under the conditions provided for in the regulatory acts adopted by AKEP, at affordable prices, and in line with national specific conditions. The scope of the universal services is aligned with the EU *acquis* and include Internet services. During the period under review, as during the previous one (2010-16), AKEP has considered that those prices were affordable and that the geographical coverage was sufficient, it has therefore not designated a universal service operator/undertaking.

### 4.3.3 Postal and courier services

4.166. The MIE is in charge of postal issues, and AKEP is the independent regulator of the sector (as it is for telecommunications).

4.167. The postal sector is regulated by Law No. 46/2015 on Postal Services, which transposes EU Directive 2002/39/EC on postal services as amended. The postal market is liberalized and as of January 2017, the reserved area was abolished. A policy paper, for the development of the postal

<sup>62</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, Box 4.2.

<sup>63</sup> European Conference of Postal and Telecommunications Administrations (CEPT) Publications and ITU Radio Regulations, including ITU WRC-19 (World Radiocommunication Conference 2019) decisions.

<sup>64</sup> WTO document [WT/TPR/S/337/Rev.1](#), 1 August 2016, Box 4.2.



market in line with the EU *acquis* and aiming at the growth of e-commerce, was approved by the Council of Ministers in April 2022.<sup>65</sup>

4.168. Thirty-one private postal and courier services operators have been licensed/authorized by AKEP.<sup>66</sup> The main express operators, including FedEx, DHL, UPS, and TNT, are present in Albania.

4.169. Tariffs for postal services are not regulated and set by the operators, except for universal services where tariffs are regulated by AKEP. Universal service tariffs must be affordable and cost-oriented and the universal service provider must keep separate accounts for the universal postal service. Albanian Post joint stock company, a 100% state-owned company established in 1999, was designated as the operator for universal services for a transitory period of five years as of 2015 by Law No. 46/2015.

4.170. After this transitory period, the law stipulates that AKEP will designate, every five years, the universal postal service provider, based on a market analysis followed by a competitive procedure. If the market analysis concludes that there are at least two postal service providers that can provide the universal postal service, AKEP will call for a public tender in accordance with the postal law. As a result of the tender procedure, AKEP may appoint one or more providers to be designated as universal postal service provider in the whole territory, different designated providers for different universal postal services, or different designated providers for different areas of Albania. If after the market analysis there is only one operator fulfilling the criteria, this operator is designated by AKEP as the universal service provider without a competitive procedure. At the expiration of the transitory period in 2020, AKEP concluded that Albanian Post was the only operator fulfilling the conditions and redesignated it, in July 2020, as the universal service provider for a period of five years.

4.171. Universal services cover the collection, sorting, transport, and distribution of postal items weighing up to 2 kg; of postal packages weighing up to 10 kg; of insured and registered postal items; and of postal items received from EU member States weighing up to 20 kg. Staff of Albanian Post have a contract based on the labour, and labour relations are regulated by collective agreement with the unions.

4.172. Albania also transposed EU Regulation EU/2018/644 on cross-border parcel delivery services through the instruction of the Minister of Infrastructure and Energy No. 5/2021 on the Approval of the Regulation on Cross-border Parcel Delivery Services. This instruction establishes two basic obligations for each parcel delivery service provider: (i) a requirement to provide certain information to AKEP, including legal, contact, certain operational, and sub-contractor information, as well as information regarding the services provided, complaint mechanism, and turnover; and (ii) a requirement to provide AKEP with the public list of tariffs for the delivery of single-piece postal items, excluding correspondence (i.e. postal items not containing goods), which must be done by 31 January of each calendar year.

4.173. AKEP then publishes online in a dedicated section of its official website the tariffs subject to transparency measures by the end of February each calendar year. On the basis of the public lists of tariffs, AKEP identifies, for each of the single-piece postal items listed in the law, the cross-border tariffs that it considers necessary to assess. AKEP must complete the assessment report by 30 June each year and submit it to the MIE, which might, in turn, publish a summary of this assessment.

### 4.3.4 Transport services

#### 4.3.4.1 Air transport

4.174. During the period under review, Albania, which has had no flag carrier since 2011, saw the emergence of two scheduled carriers, Albawings and Air Albania. Albawings obtained its Aircraft Operating Certificate (AOC) in April 2016. It is 100% owned by Albanian private interests. In 2023, with three aircraft, it served 12 destinations in Italy and 1 in the United Kingdom (London) from

<sup>65</sup> Council of Ministers Decision No. 207/2022.

<sup>66</sup> The list of postal and courier service providers is published on the AKEP website: <https://akep.al/en/publications/records/>.



Tirana. It plans to open routes from Tirana to three destinations in Germany: Frankfurt, Dusseldorf, and Hamburg. Its turnover for 2022 was ALL 2.5 billion.

4.175. The second carrier, Air Albania, is a joint venture. It is 49% owned by Turkish Airlines, with 41% held by MDN, an Albanian private group and at 10% by Albcontrol, a state-owned company in charge of air navigation services provision in Albania. It started operations in 2019, and its AOC was issued on 25 March 2019. In 2023, with three aircraft, it served nine destinations (six in Italy, one in Germany (Dusseldorf), one in Türkiye (Istanbul), and one in the United Kingdom (London)). It also provides cargo services and serves an additional 13 charter destinations. Two more scheduled destinations are planned to start in September 2023. Its turnover for 2022 was ALL 3 billion.

4.176. There were no changes to the requirements on establishment of airlines during the period under review. These requirements are contained in three pieces of legislation: (i) the Air Code of Albania (Law No. 96/2020); (ii) Minister Ordinance No. 17/2010 on the Applicable Rules for the Operation of Air Services, as amended, which transposes EU Regulation 1008/2008; and (iii) Council of Ministers Decision No. 1095/2020, which transposes EU Regulation 2018/1139 and its Implementing Rules. These rules impose a majority ownership and an effective control by Albanian interests.

4.177. There is no specific charter policy. Charter flights are all operated upon request and under an agreement between a tour operator and an airline. There is no specific policy for cargo flights, which abide by the same provisions of bilateral agreements as passenger flights. Regarding start-ups, new entrants have to be certified for technical, legal, and financial suitability. There are no restrictions on routes, capacities, and pricing, other than those imposed by air service agreements. Domestic and foreign low-cost carriers are allowed to operate.

4.178. Regarding maintenance, repair, and overhaul (MRO) services, there are no repair stations certified by the US Federal Aviation Administration (FAA) or by the European Aviation Safety Agency (EASA). Several computer reservation services providers (Amadeus, Galileo, and Sabre) operate in Albania. There is no specific regulation (including foreign exchange controls) preventing or limiting the sales by foreign airlines of their own tickets through various channels (e.g. online, airport counters, and city offices). This situation is not affected by bilateral agreements.

4.179. In terms of ground-handling services, there is no legal monopoly. Self-handling, mutual handling, and third-party handling are allowed but do not exist yet in practice. EC Directive No. 96/67/EC, which provides for the full liberalization of ground-handling services above a certain threshold of traffic, has been fully transposed in Albania through Minister Ordinance No. 834/2018. In the absence of slot congestion, Albanian airports are not slot-coordinated. EU Regulation No. 95/93 on slot allocation in the airports has been fully transposed in Albania since 2011 (Minister Ordinance No. 84/2011).

4.180. Albania has two international airports in operation – one in Tirana and one in Kukës<sup>67</sup> – and is in the process of building two others in Saranda and Vlora. Tirana handled 5.2 million passengers (departures and arrivals) in 2022 and 2,603 tonnes including cargo and mail, compared to 1.81 million passengers and 2,324 tonnes handled in 2014. Kukës, whose operations started in April 2021, handled 5,108 passengers and no cargo in 2022.

4.181. During the IATA summer season 2022, Tirana International Airport was served by the 2 national airlines and 28 foreign airlines including 3 all-cargo airlines, with a total of 84 destinations. Two airlines, Wizz Air and Air Albania, served Kukës Airport during 2023.

4.182. Airports are publicly owned and are managed by private operators through concessions. Tirana International Airport has been under concession since 2004, through a Concession Agreement approved by Law No. 9312/2004. Parties of the agreement were, at the time, the Government and the American-German consortium formed by HOCHTIEF AirPort GmbH (HTA), Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG), and the Albanian-American Enterprise Fund (AAEF). The duration of the concession is for 20 years.

<sup>67</sup> Kukës Airport opened in 2008 but was not operational until 2021.

4.183. As this agreement did not allow for the operation of other airports in Albania than Tirana, for commercial flights, the Government revised the relevant conditions of the Agreement in 2016, by Law No. 55/2016. Following the revised agreement, a new airport, Kukës International Airport, was built and started operation in the north of Albania, and the construction of another one in the south was initiated. The ownership of the concession of Tirana International Airport changed twice. It was first transferred to Real Fortress Private Ltd and then to the Kastrati Group.

4.184. In 2021, the Concession Agreement was revised again, to include new investment obligations for the Concessionary, reduce passenger charges, and prolong the duration of the concession from 20 to 35 years.

4.185. The concession for the airport was granted by Council of Ministers Decision No. 146/2019 to Kukës International Airport, which is owned by private Albanian interests, in the form of a ROT scheme for 35 years.

4.186. In 2018, the Government announced the construction of Vlora International Airport. Its construction started in 2021 and is expected to be completed by 2025. The concession was awarded in June 2021 (Council of Ministers Decision No. 325/2021) to a consortium consisting of Marco Construction SA, Yda Insaat Sanayi Ve Ticaret Anonim, Sirkety, and 2A Group SH.P.K in the form of a BOT scheme. The concession for a future airport in Saranda has not yet been awarded.

4.187. Table 4.12 provides the list of bilateral and plurilateral air services agreements signed by Albania and described according to the WTO Quasar methodology. Albania did not conclude any new bilateral air services agreements during the period under review.

**Table 4.12 List of bilateral and plurilateral air services agreements signed by Albania**

	Date	5 <sup>th</sup>	7 <sup>th</sup>	Cabotage	Cooperation	Designation <sup>a</sup>	Withholding <sup>b</sup>	Pricing <sup>c</sup>	Capacity <sup>d</sup>	Exchange of statistics	ALT <sup>e</sup>
Austria (+ECAA)	18/03/1993	Y	N	N	N	M	CoI-S	FP	FD	Y	30
Belgium (+ECAA)	22/01/2007	Y	N	N	N	M	CoI-S	FP	FD	Y	30
Bosnia (+ECAA)	01/07/2004	Y	N	N	N	M	CoI-S	FP	FD	Y	30
Brazil	11/04/2015	Y	N	N	Y	M	PPoB-S	FP	FD	Y	37
Bulgaria (+ECAA)	12/09/2002	Y	N	N	N	M	CoI-S	FP	FD	Y	30
China	28/03/1972	N	N	Y	N	S	..-S	DA	PD	N	..
Croatia (+ECAA)	20/05/2005	N	N	N	N	M	CoI-S	FP	FD	Y	24
Czech Republic (+ECAA)	20/10/1958	N	N	N	N	M	CoI-S	FP	FD	N	25
Egypt	11/10/1995	Y	N	N	Y	S	SOEC	FP	PD	Y	17
France (+ECAA)	12/01/1989	N	N	N	N	M	CoI-S	FP	FD	N	25
Germany (+ECAA)	28/03/1994	N	N	N	N	M	CoI-S	FP	FD	Y	24
Greece (+ECAA)	16/07/1977	N	N	N	N	M	CoI-S	FP	FD	N	25
Hungary (+ECAA)	16/01/1958	N	N	N	N	M	CoI-S	FP	FD	N	25
Israel	18/09/2006	Y	N	N	N	S	SOEC	DA	PD	Y	6
Italy (+ECAA)	18/12/1992	N	N	N	N	M	CoI-S	FP	FD	N	25
Kuwait, State of	30/04/2012	Y	N	N	N	M	PPoB-S	DA	PD	Y	14
Malaysia	12/09/1994	N	N	N	N	M	SOEC	DA	PD	Y	4
Netherlands (+ECAA)	20/09/1996	N	N	N	N	M	CoI-S	FP	FD	N	25
North Macedonia (+ECAA)	13/10/2005	Y	N	N	N	M	CoI-S	FP	FD	Y	30
Oman	01/10/1999	N	N	N	N	M	SOEC	DA	PD	N	5
Pakistan	07/01/1972	N	N	N	N		..	..	..	..	..
Poland (+ECAA)	08/07/1954	N	N	N	N	M	CoI-S	FP	FD	N	25
Qatar	29/03/2012	Y	N	N	N	S	SOEC	DA	PD	Y	6
Romania (+ECAA)	20/02/1974	N	N	N	N	M	CoI-S	FP	FD	N	25
Russian Federation	23/06/1993	Y	N	N	N	S	..	..	..	N	..
Saudi Arabia, Kingdom of	26/02/2014	Y	N	N	N	M	SOEC-S	FP	PD	Y	24

	Date	5 <sup>th</sup>	7 <sup>th</sup>	Cabotage	Cooperation	Designation <sup>a</sup>	Withholding <sup>b</sup>	Pricing <sup>c</sup>	Capacity <sup>d</sup>	Exchange of statistics	ALI <sup>e</sup>
Serbia (+ECAA)	23/11/1956	N	N	N	N	S	CoI-S	FP	FD	N	25
Singapore	19/01/2015	Y	N	N	Y	M	PPoB-S	FP	FD	Y	37
Slovenia (+ECAA)	29/01/1993	N	N	N	N	M	CoI-S	FP	FD	Y	24
Switzerland	10/09/2007	Y	N	N	Y	M	PPoB-S	DD	FD	Y	34
Türkiye	30/08/2004	N	N	N	Y	M	SOEC	DD	PD	Y	13
United Arab Emirates	30/10/2011	Y	N	N	Y	M	SOEC	CoO	FD	Y	24
United Kingdom	30/03/1994	N	N	N	N	M	CoI-S	DD	B1	Y	18
United States	24/09/2003	Y	N	N	Y	M	SOEC	DD	FD	N	28
EU member States linked to Albania by ECAA 1 <sup>st</sup> phase only <sup>f</sup>	01/12/2017 (entry into force)	N	N	N	N	M	CoI-S	FP	FD	N	25
EEA members linked to Albania by ECAA 1 <sup>st</sup> phase only <sup>g</sup>	01/12/2017 (entry into force)	N	N	N	N	M	CoI-S	FP	FD	N	25
"Associated parties" to ECAA linked to Albania by ECAA 1 <sup>st</sup> phase only <sup>h</sup>	01/12/2017 (entry into force)	N	N	N	N	M	CoI-S	FP	FD	N	25

.. Not available.

a S=Single; M=Multiple.

b SOEC or S=Substantial Ownership and Effective Control; CoI=Community of Interest, PPoB=Principal Place of Business.

c DA=Double Approval; DD=Dual Disapproval; FP=Free Pricing; CoO=Country of Origin.

d PD=Pre-Determination; B1=Bermuda 1, i.e. *post facto* Determination; FD=Free Determination.

e ALI=Air Liberalization Index (0=no liberalization at all; 50=full liberalization).

f Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Slovak Republic, Spain, and Sweden.

g Iceland and Norway.

h Montenegro and Kosovo. References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Note: ECAA=European Common Aviation Area Agreement.

Source: WTO Secretariat; and information provided by the authorities.

4.188. All countries now served by the two Albanian airlines, except the United Kingdom and Türkiye, fall either under the European Common Aviation Area Agreement (ECAA) linking the EU member States and EEA countries to "associated parties" in the Balkans, including Albania, or under a combination of the ECAA and a previous bilateral agreement whose more flexible/liberal provisions if any (e.g. fifth freedom) prevail on those of the ECAA.<sup>68</sup> The ECAA, which was signed in 2006 and entered into force in 2017, has two transitional phases and a final phase, which are increasingly liberal (multiple designation, free pricing and free capacity, and routes for third and fourth freedom for the first phase; fifth and seventh freedoms for the second phase; and cabotage and community ownership for the final phase). The passage from phase to phase is conditioned upon the adoption of various elements of the EU aviation *acquis*. Albania is still in the first phase and is planning to accelerate the adoption of the *acquis* so as to qualify for the second phase. In terms of liberalization, the first phase is already quasi-equivalent (minus fifth freedom) to a so-called "open skies" agreement and has an Air Liberalization Index (ALI) of 24/50 alone and of 30/50 when combined with the fifth freedom granted by a previous bilateral agreement.

<sup>68</sup> ECAA, Article 28.1: "The provisions of this Agreement shall prevail over the relevant provisions of bilateral air transport agreements and/or arrangements in force between the Associated Parties on the one hand and the European Community, an EC Member State, Norway or Iceland on the other hand, as well as between Associated Parties." ECAA, Article 28.2: "Notwithstanding paragraph 1, during the transitional periods referred to in Article 27, the provisions concerning ownership, traffic rights, capacity, frequencies, type or change of aircraft, code sharing and pricing of a bilateral agreement or arrangement in force between an Associated Party and the European Community, an EC Member State, Norway or Iceland or between two Associated Parties shall apply between the Parties thereto if such bilateral agreement and/or arrangement is more flexible, in terms of freedoms of the air carriers concerned, than the provisions of the applicable Protocol with respect to the Associated Party concerned."

4.189. Since the United Kingdom is no longer an EU member State, its relations with Albania are now regulated again in their totality by the bilateral agreement the two countries signed in 1994 and which has semi-liberal features (ALI of 18/50). The relationship with Türkiye is governed by a 2004 air services agreement with an ALI of 13/50.

4.190. Other agreements are not actually used by the two Albanian airlines and constitute rather a portfolio of opportunities for them. Foreign airlines serving Tirana and Kukës airports generally do so under liberal terms since the ALIs of the agreements or of the combination of agreements regulating them range from 34/50 (Swiss and Edelweiss) to 13/50 (Pegasus from Türkiye) with the vast majority in the higher part of the range (Austrian and EasyJet, 30; Wizz Air, Aegean, Alitalia/iTA, Lot, Air Serbia, and Transavia, 25; Fly Dubai and Lufthansa, 24; and British Airways, 18). The ALIs of un-served agreements range from 4 (Malaysia) to 28 (United States). The width of this range can largely be explained by the various ages of the agreements and by the diverging aero-policies of the partners concerned.

#### 4.3.4.2 Maritime transport

4.191. In 2021 Albania had a fleet of 70 vessels under its national flag for a capacity of 49,000 dead weight tonnes (DWT). Among these vessels, there are 15 under the Albanian flag that are beneficially owned by foreign interests. Albania also had a beneficially owned fleet of 54 vessels under foreign flags for a capacity of 92,000 DWT the same year.

4.192. These figures compare with 67 vessels under the national flag for a capacity of 83,000 tonnes, none of which under foreign control, and a beneficially owned fleet of 30 vessels gauging 101,000 DWT in 2015. Like in 2015 the fleet under the national flag is quasi exclusively composed of general cargo ships, with no container ships or bulkers.<sup>69</sup>

4.193. Registration policy is determined by the Maritime Code of Albania (Law No. 9251/2004), Law No. 9254/2004 on the Ratification of the UN Convention on the Conditions for the Registration of Ships, and Council of Ministers Decision No. 462/2014 on the Register of Vessels in Albania. These regulations do not impose any nationality or ownership requirements/limitations to register a vessel under the Albanian flag. The only requirements are linked to technical and safety considerations.

4.194. According to the Maritime Code, the crew of Albanian flagged vessels should be Albanian citizens, except for the ship master, who can be one of the EU nationalities. This nationality requirement for the crew was introduced during the period under review by Law No. 11/2021.

4.195. Cabotage traffic is reserved to the national flag. However, waivers can be granted to foreign flags, notably in case of reciprocity of international obligations, for technical reasons, or if the granting of the waiver is considered to be in the interest of the State.<sup>70</sup> Albania does not maintain any unilateral cargo reservation to the benefit of its flag; there are different bilateral agreements with EU member States and non-EU member States that provide national treatment to Albanian flagged ships, but there are no cargo-sharing agreements. There is no differentiated competition regime covering maritime transport but the general competition regime fully applies.

4.196. Pilotage services are compulsory for all foreign flagged vessels over 500 GT, all Albanian flagged vessels over 2,000 GT, and all vessels over 500 GT engaged in transport of passengers.

4.197. There is no specific support policy for the Albanian flag, such as tonnage tax (instead of a profit tax), tax breaks, or second registry.

4.198. In 2017, Albania approved a regulation on the organization and functioning of the flag state control<sup>71</sup>, which is designed to be fully aligned with the *acquis* on flag state requirements and flag state control of the 2006 Maritime Labour Convention.

<sup>69</sup> UNCTAD, based on data provided by Clarkson Research.

<sup>70</sup> Albanian Maritime Code (Law No. 9251/2004), Article 22.

<sup>71</sup> Council of Ministers Decision No. 13/2017 for the Approval of the Regulation on the Functioning of the Port State Control transposed Directive 2009/16 including amendments of Directive 2013/38 and partially Directive 2017/2110, and Directive 2009/16/EC of the European Parliament and of the Council of 23 April 2009 on Port State Control (recast) amended by Directive 2013/38 and Directive 2017/2110.

4.199. The adoption of this regulation is part of ongoing efforts to reduce the detention rate of Albanian-flagged vessels in order for the Albanian flag to leave the "Black" section of the White, Grey and Black (WGB) list of flag performance of the Paris Memorandum on Port State Control and for Albania to resume the country's application for membership to this Memorandum. The ranking of the Albanian flag within the black list has improved from "high risk" for the biennium 2018-20 with 74 inspections and 17 detentions, to "medium to high risk" for the biennium 2019-21 with 60 inspections and 11 detentions, to "medium risk" for the biennium 2020-22 (published in July 2023) with 55 inspections and 8 detentions.<sup>72</sup> Efforts of technical assistance by Norway are underway with the same objectives.

4.200. The largest number of ship arrivals by category is due to the ferry traffic between Italy and Albania. Dry breakbulk carriers constitute the second-largest category of ships received (665 arrivals in 2021), followed by container ships (146), LPG carriers (133), and liquid bulk carriers (102). Transshipment is negligible and the traffic is essentially bilateral. In 2022, international maritime traffic reached 3.4 million tonnes of imports and 1.5 million tonnes of exports. Maritime container traffic has nearly doubled since 2015 but remains relatively modest and quasi balanced: 72,499 twenty equivalent units (TEU) of imports and 71,630 TEU of exports. This compares with 1.9 million tonnes of imports and 1.4 million tonnes of exports in 2015 and to 42,673 TEU of imports and 43,027 TEU of exports the same year.

4.201. Albania has one main port, Durrës, which accounts for more than 90% of the traffic, and three minor ports, Shengjin, Vlora, and Saranda. All four are state-owned and exploited through concessions by private operators.

4.202. According to the authorities, the legislation currently applicable in the field of port services and financial transparency of ports partially complies with the provisions of the relevant EU regulation (Regulation (EU) 2017/352), and several regulations and by-laws were adopted during the period under review to ensure compliance.<sup>73</sup> Nevertheless, the EU Commission considered in its 2022 report that "[a]lignment with the *acquis* on ports and enactment of legislation based on the EU Port Services Regulation still needs to be put in place".<sup>74</sup>

#### 4.3.4.3 Rail transport

4.203. Albania's railways system was essentially built after WWII with only one international connection, with Montenegro, opened in 1986 for freight transport. Its traffic and intermodal share declined considerably after the democratic transition. During the review period, rail freight traffic remained overall limited with some variation across time, while passenger traffic declined and fully ceased in 2022 (Table 4.13).

**Table 4.13 Passenger and freight rail traffic and length of the operating network, 2015-22**

	2015	2016	2017	2018	2019	2020	2021	2022
Freight traffic (million tonne km)	23	9	25	20	43	26	25	20
Passenger traffic (million passenger km)	7	3	2	3	2	1	1	0
Lines operated (km)	379	334	334	334	169	224	224	229

Source: INSTAT.

4.204. However, there is renewed interest from the Government for railways refurbishment and extension projects in Albania due to the low carbon footprint of that mode of transport, its externalities, and its importance for the completion of the Western Balkans freight railways networks, with potential opportunities of funding from the European pre-accession and infrastructure funds in the context of the Trans-European Transport Network (TEN-T) corridors.

<sup>72</sup> For more elements of the Paris MoU, see: [https://parismou.org/publications?field\\_news\\_category\\_target\\_id=8](https://parismou.org/publications?field_news_category_target_id=8).

<sup>73</sup> These are instructions of the Minister of Transport and Infrastructure regarding operating licences for national and international maritime transport for vehicles and passengers (No. 883/2018) and fuel supply for the consumption of ships in ports and in anchor (No. 913/2018).

<sup>74</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final, p. 104.

4.205. The first step of this renewal was the project to rehabilitate the Tirana-Durrës (the country's largest port) line with a loan of EUR 35.9 million from the EBRD and a EUR 35.5 million grant from the Western Balkans Investment Fund, as well as with Albanian budgetary allotments. Construction works started in 2021. This project will include the construction of a new line linking Tirana to Tirana International Airport.

4.206. Following a joint declaration by the European Commission and six Western Balkans prime ministers in April 2015<sup>75</sup>, the TEN-T European railway corridors map was amended by EU Regulation 2016/758/EU so as to include the complete rehabilitation of the link between Tirana and Podgorica, Montenegro. This project will involve the complete overhaul of 120.2 km of railway line and the construction of 13 railway stations for an overall estimated cost of EUR 356 million. A Western Balkans Investment Fund loan of EUR 4.5 million for 2018-21 was approved in December 2016 to finance the preparation of the detailed design and the tender document for the rehabilitation works. Construction works are planned to take place between 2023 and 2028.

4.207. In regulatory terms, the first major development for the sector during the period under review was the adoption of Law No. 142/2016 on the Railway Code of the Republic of Albania. This law outlines the rules applicable to the management of railway infrastructure and to rail transport activities of the railway undertakings and operators. This law is partially aligned with EU Directive 2012/34/EU establishing a single European railway area, which is a recast of the EU third railway package. The Railway Code is also partially aligned with three directives of the 2016 fourth EU railway package on the European Union Agency for Railways (Regulation (EU) No. 2016/796), interoperability (Directive (EU) 2016/797), and railway safety (Directive (EU) 2016/798). The Law was followed by Council of Ministers establishing a railway licensing authority.

4.208. The second major regulatory development was the adoption of Law No. 90/2021 on the Separation of Albania Railways Company SA, which unbundled the former monopoly in four different companies: (i) an infrastructure manager; (ii) a railway undertaking for passenger transport; (iii) a railway undertaking for freight transport; and (iv) a railway undertaking for rolling stock. In addition, the Law sets procedures for the establishment of railway joint-stock companies. Three 2021 laws established a railway regulatory authority, a national authority for the investigation of railway and maritime accidents and incidents, and a railway safety authority.<sup>76</sup> Albania is planning to achieve the transposition of the EU railway *acquis* by the adoption of about 20 EU regulations (including EU Commission implementing regulations) and directives over the years 2023-25, most of which are of a technical nature. However, in its 2022 Albania pre-accession report, the EU Commission considers that "Albania [still] needs ... to complete the institutional framework of the four new rail companies".<sup>77</sup>

#### 4.3.4.4 Road transport

4.209. Albania has a trucking fleet of 15,100 lorries and 1,793 trailers in 2023.<sup>78</sup> The number of buses<sup>79</sup> is 8,285 for the same year and the number of vehicles certified for intercity transport is 1,812. There are no data publicly available on the volume of road freight and passenger transport from either the national Institute of Statistics (INSTAT)<sup>80</sup> or Eurostat.<sup>81</sup>

4.210. Domestic transport of passengers is regulated through licences granted at the municipal level, except for occasional transport services, which are regulated at the level of the region/district. There are no limitations for operating in the regular or occasional transport of passengers or the

<sup>75</sup> European Commission (2015), "Western Balkans 6 Meeting in Brussels", 21 April. Viewed at: [https://ec.europa.eu/commission/presscorner/detail/fr/STATEMENT\\_15\\_4826](https://ec.europa.eu/commission/presscorner/detail/fr/STATEMENT_15_4826).

<sup>76</sup> Respectively, Laws No. 89/2021, No. 91/2021, and No. 88/2021.

<sup>77</sup> European Commission (2022), *Albania 2022 Report*, SWD (2022) 332 final, p. 103.

<sup>78</sup> INSTAT, *Road Transport Statistics, Second Quarter, 2023*. Viewed at: <https://www.instat.gov.al/en/themes/industry-trade-and-services/transport-accidents-and-characteristics-of-road-vehicles/publikimet/2023/road-transport-statistics-q2-2023/>.

<sup>79</sup> Defined as vehicles of more nine seats, including that of the driver.

<sup>80</sup> INSTAT, *Transport Statistics, Reference Metadata in Euro SDMX Metadata Structure (ESMS)*. Viewed at: [https://www.instat.gov.al/media/9221/46transport\\_statistics\\_final\\_en.pdf](https://www.instat.gov.al/media/9221/46transport_statistics_final_en.pdf).

<sup>81</sup> EUROSTAT, *Enlargement Countries – Transport Statistics*. Viewed at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Enlargement\\_countries\\_-\\_transport\\_statistics&curid=32181&oldid=606238](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Enlargement_countries_-_transport_statistics&curid=32181&oldid=606238).



transport of goods. For intercity (or inter-urban) transport of passengers and on regular bus lines between districts, only one company for the respective regular line is allowed. One company can cover more than one regular line. For social reasons, road passenger tariffs are subject to a maximum pricing obligation set by Council of Ministers Decision No. 66/2007.

4.211. Domestic transport of goods for third parties and rentals are regulated through licences granted at the municipal level, except for the transport of hazardous goods and transport by non-standard vehicles (for which licences are issued by the General Directorate of Road Transport Services). This licensing regime is defined by Law No. 8308/1998 on Road Transport, as amended, and Instruction No. 15 of 24 July 2007 on Criteria and Procedures for Issuing Licences, Authorizations and Certificates for Activities in the Road Transport Sector. There is no capacity limitation and/or management in place, nor any price regulation on domestic road freight transport.

4.212. The criteria for licensing for domestic transport of both passengers and goods are based on good reputation, adequate financial situation, professional competence, and an effective and stable establishment in Albania. Licences are not transferable from the holder to another operator. Licence holders engaged in an activity for which they are licensed or authorized may enter into a sub-contractual agreement with a third party, but not for more than 35% of the activity. The holder of the licence or authorization is liable for meeting the licence/authorization conditions, and this liability also extends to the activity performed by the sub-contractor. There are no restrictions on the establishment of foreign-owned trucking or passenger transport companies.

4.213. For international road freight and passengers transport, the licensing regime is defined by two recent legal texts, respectively, Instruction No. 8 of the Minister of Infrastructure and Energy of 31 December 2020 on the Criteria, Rules and Documentation for Issuing Licences and Certificates for the Exercise of Activity in the International Road Transport of Goods, and Instruction No. 8 of 19 December 2019 for Criteria, Rules and Documentation for Issuing Licences, Authorizations and Certificates for the Exercise of Activity in the International Road Transport of Passengers. These regulations transpose the relevant EU *acquis*.<sup>82</sup> These guidelines have set the new formats of documents for the international transport of passengers and goods, licences, certified copies of licences, certificates for international transport for own account, and authorizations for operating in the international transport of passengers on regular lines.

4.214. For international passenger transport, the licensing regime applies to all entities engaged or intending to engage in the activity of international road transport of passengers for third parties or for hire and on their own account, inside and outside of Albania, by entities established/located in Albania or in a third country, using vehicles that are registered, suitable, and intended to transport more than nine persons, including the driver. Licensing and/or authorization is mandatory for entities that provide regular services, regular specialized services, and on-demand services. This licence is also mandatory for entities that carry out activities in international transport on their own account. The licensing criteria are based on good reputation, financial stability, professional competence, and an effective and stable establishment in Albania. There is no capacity limitation and/or management and no price regulation on international road passenger transport.

4.215. The scope of the licensing requirements for road freight transport is narrower than for passenger transport, as it applies only to carriers resident in Albania. The licensing criteria are based on good reputation, financial stability, professional competence, and an effective and stable establishment in Albania. There is no capacity limitation and/or management and no price regulation on international road freight transport.

4.216. During the period under review, Albania signed nine new bilateral road freight transport agreements with Montenegro, Cyprus, Serbia, Belgium, Bosnia and Herzegovina, Spain, Latvia, Estonia, and Kosovo<sup>83</sup>, four of which (with Cyprus, Latvia, Estonia, and Kosovo<sup>84</sup>) deal with both passenger and freight transport. These agreements add to the 20 agreements signed earlier with

<sup>82</sup> For freight transport: Regulation (EC) No. 1071/2009; Regulation (EC) No. 1072/2009; Directive 2006/1/EC; and for passenger transport: Regulation (EC) No. 1071/2009; Regulation (EC) No. 1073/2009; Regulation of the Commission (EU) No. 361/2014.

<sup>83</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

<sup>84</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Poland in 1990; Italy, Romania, the Russian Federation, and the United Kingdom in 1993; Croatia, Denmark, and the Netherlands in 1994; Sweden in 1995; Germany and Hungary in 1996; Greece in 1997; North Macedonia in 1998; Bulgaria, France, and Luxembourg in 1999; Türkiye in 2000; Austria in 2005; Slovenia in 2007; and Switzerland in 2008.

4.217. Albania is also a member of the plurilateral European Council of Transport Ministers (ECMT) agreement and benefits from its plurilateral quotas (Table 4.14).<sup>85</sup>

**Table 4.14 ECMT quotas by environmental categories of lorries**

Green categories	Trucks (no.)
Euro 1	3
Euro 2	5
Euro 3	30
Euro 4	127
Euro 5	408
Euro 6	341
<b>Total</b>	<b>914</b>

Source: Information provided by the authorities.

### 4.3.5 Tourism services

4.218. Tourism is an increasingly important economic sector in Albania. The Government promotes public-private partnerships for strategic investments, particularly by well-known international brands of quality hotels, so as to make tourism in Albania more upmarket.

4.219. The number of inbound tourists grew by about 35% between 2015 and 2021 (Table 4.15). European tourists represent more than 90% of these arrivals, followed distantly by tourists from the Americas. Leisure tourism also represents most of the tourism activities and was much more affected by the COVID-19 pandemic than was business tourism. In terms of modes of transport, arrivals by air have nearly doubled, but remain a marginal share of total arrivals, like arrivals by seas, which have remained more or less stable. Road transport is the dominant mode of arrival, which is logical since national statistics for 2021 indicate that 46.4% of the foreign tourists came from Kosovo<sup>86</sup>, 9.8% from North Macedonia, 5.6% from Montenegro, and 4.9% from Greece, all of which share a common border with Albania.

**Table 4.15 Main indicators of the tourism sector, 2015-21**

	2015	2016	2017	2018	2019	2020	2021
<b>Inbound tourism total arrivals ('000)</b>	4,131	4,736	5,118	5,927	6,406	2,638	5,689
<b>Arrivals by region of origin ('000)</b>							
Europe	3,799	4,485	4,687	5,332	5,796	2,817	5,173
Americas	97	104	124	149	157	30	116
Others	278	146	308	448	473	12	400
<b>Arrivals by purpose ('000)</b>							
Personal	4,189	4,677	5,050	5,840	6,325	2,543	5,588
Business and professional	42	59	69	88	101	115	100
<b>Arrival by mode of transport ('000)</b>							
Road	3,519	4,008	4,147	4,796	5,134	2,324	4,718
Air	401	457	578	692	784	270	765
Water	211	276	393	439	468	64	206
<b>Tourism expenses (USD million)</b>							
Travel	1,499	1,693	1,943	2,186	2,329	1,134	2,257
Transport	114	128	107	120	129	109	223

<sup>85</sup> For more elements of the ECMT quotas system, see WTO document [S/C/W/324](#), 29 October 2010, pp. 36-37 and 66.

<sup>86</sup> References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

	2015	2016	2017	2018	2019	2020	2021
<b>Establishments (number)</b>	..	..	..	1,021	1,126	1,237	..
<b>Beds (number)</b>	29,903	41,386	..	69,395	77,974	82,334	85,403
<b>Occupancy rates/bed (%)</b>	..	..	..	19.4	24.4	10.5	17.0
<b>Average duration of stay</b>	..	..	..	2.4	2.6	2.3	2.6
<b>Total employment ('000) of which<sup>a</sup></b>	29.0	39.2	43.6	46.7	52.0	42.4	..
Accommodation services	21.8	30.0	33.4	35.6	40.7	32.8	..
Travel agencies and other reservation services	5.2	7.7	8.3	9.2	8.7	8.1	..
Other tourism industries	1.0	1.5	1.9	1.5	2.6	1.7	..
<b>Share of GDP of hotels and restaurants (%)</b>	2.8	2.2	2.4	2.7	2.0	2.7	..

.. Not available.

a Figures do not include employment in food and beverage services or passenger transportation.

Source: UNWTO Statistics; and INSTAT (for Shares of GDP).

4.220. Total tourism expenditures (travel plus transport) grew by 54% during the period. While the number of establishments recorded by the United Nations World Tourism Organization (UNWTO) has only marginally grown, the capacity in terms of beds nearly trebled from 29,903 beds in 2015 to 85,403 beds in 2021.<sup>87</sup> However, the rate of occupancy remains low, below the 25% mark. Finally, in terms of employment, the figures provided by UNWTO are probably largely underestimated since they do not provide data on the food and beverages serving services. They nevertheless show a growth of nearly 50% during the period. The share of hotels and restaurants in GDP grew over the period but represents only a part of tourism activities, for which there exist no detailed national GDP data.

4.221. Another classical gauge of tourism activities, used by the Government itself<sup>88</sup>, is the data of the World Tourism and Travel Council (WTTC), which are based on a more extensive delimitation of tourism activities than that of the UNWTO. According to these statistics, the overall contribution to GDP forecasted to be around 22% in 2023, a decline from the more than 25% in 2017 and 2018. In terms of employment, these data indicate that the share of direct employment in the tourism sector was 7.9% in 2021, lower than prior to the COVID-19 pandemic, while direct and indirect employment stood around 21.5% during the review period, with a dip following the pandemic (Table 4.16).

**Table 4.16 Contribution of tourism to GDP, employment, and investment, 2017-23**

	2017	2018	2019	2021 <sup>a</sup>	2022	2023 (forecast)
Direct contribution to GDP (%)	8.50	8.80	8.80	..	..	..
Overall contribution to GDP (%)	26.20	27.20	20.30	17.40	21.60	22.00
Direct employment (% of total employment)	7.70	8.90	8.40	7.90	..	..
Direct and indirect employment (% of total employment)	21.40	21.10	21.30	20.00	21.20	21.50
Tourism investments as % of total investment	..	7.50	..	7.50	..	..

.. Not available.

a The year 2020 does not appear in this table as the COVID-19 pandemic made it atypical.

Source: Compiled by the Secretariat, based on WTTC data.

4.222. Albania adopted in 2019<sup>89</sup> its National Strategy for Sustainable Tourism Development 2019-2023, aiming to move away from a beach-based mass market model towards one that is more diverse and sustainable, including archaeology and culture. However, its implementation was disrupted by the onset of the COVID-19 pandemic and its objectives were recently prolonged and

<sup>87</sup> World Tourism Organization. Viewed at: <https://www.unwto.org/>.

<sup>88</sup> Notably in its 2018 National Strategy for Sustainable Tourism Development 2019-2023, in the 2019 factsheet of AIDA on the tourism sector, and in its National Strategy for Development and European Integration of October 2022.

<sup>89</sup> Council of Ministers Decision No. 413/2019.

updated by the more generic National Strategy for Development and European Integration of October 2022. This interest for the sector in a global strategy can be explained by the fact that, according to the World Economic Forum's Travel and Tourism Development index, Albania is one of the three European countries, together with Croatia and Montenegro, with the highest dependence on tourism.<sup>90</sup>

4.223. The Ministry of Tourism and Environment is in charge of the regulation of the sector. Albania has undertaken full commitments under the GATS on all three tourism sectors (hotels and restaurants, travel agencies and tour operators, and tourist guides). It has therefore, no GATS type restrictions in its legislation. The main law regulating tourist activities is Law No. 93/2015 on Tourism. It has been amended twice<sup>91</sup>, first to incentivize investments for brand-name hotel firms building 4- or 5-star accommodations, and second to deprive all persons who have been convicted of criminal offenses from the support and facilities provided for investors. Law No. 43/2020 on Coastal Tourism Activities is more specific, as it determines the rules applicable to vessels used for touristic and entertainment purposes and to their onshore infrastructure, as well as the institutional responsibilities for this field. Law No. 93/2015 also creates the notion of "tourism development priority areas", which are proposed by the ministry in charge of tourism and approved by the National Council of the Territory. They can be geographical or thematic. To date, four such areas have been created: the Albanian Alps, the "New South", ports and marinas, and Tirana. In those zones, state-owned immovable property can be made available to investors and in the case of coastal zones permanent piers or ports will be built by the State, and shores along the coast or lakes will be made available for tourism investments.

4.224. More specifically, new accommodation facilities built by "four- and five-stars hotels with special status", i.e. hotel firms holding an internationally recognized and registered trademark, benefit from four types of incentives: (i) exemption from corporate income tax for a period of 10 years starting from the commencement of their activity; (ii) a reduced VAT rate (6%) for all services delivered on their facilities<sup>92</sup>; (iii) exemption from infrastructure impact tax; and (iv) exemption from the tax on property for accommodation facilities.

4.225. Certified agrotourism providers, a subsector that the Government wants to develop, benefit from three types of advantages: (i) a reduced profit tax rate set at 5% (Section 3.3.1); (ii) a reduced VAT rate of 6% for the supply of accommodation and food services (Section 3.3.1), except for beverages; and (iii) an exemption from infrastructure impact tax.<sup>93</sup>

4.226. In addition, Law No. 55/2015 on Strategic Investments and Law No. 93/2015 on Tourism foresee two regimes for the tourism sector. First, for tourism strategic investment over EUR 50 million, the Government can lease public land for a period up to 99 years for a symbolic tariff of EUR 1. Second, for strategic investment over EUR 5 million and creating more than 80 jobs, the Government can provide for free all necessary supporting and technical infrastructure, such as roads, water electrical supply, and sewage system.

4.227. Finally, in order to foster the development of maritime tourism, imports of yachts and other watercraft used for tourist purposes, pleasure, and entertainment, not older than 20 years, included in Code 8903 of the Combined Nomenclature of Goods, are exempted from VAT.<sup>94</sup>

### 4.3.6 Distribution services

4.228. The wholesale and retail services sector is important to the Albanian economy since it accounts for about 11% of GDP, with the share not significantly moving during the review period. There are no publicly available employment data disaggregated at the sector level.

4.229. In 2022, the distribution sector counted 7,324 enterprises active in wholesale trade (except motor vehicles), 31,687 enterprises active in retail trade (except motor vehicles), and 4,874 enterprises active in wholesale and retail trade and repair of motor vehicles. Small private

<sup>90</sup> World Economic Forum, *Travel & Tourism Development Index 2021*. Viewed at: <https://www.weforum.org/reports/travel-and-tourism-development-index-2021>.

<sup>91</sup> By-Laws No. 114/2017 and No. 101/2018.

<sup>92</sup> Law No. 92/2014 on Value Added Tax, Article 49, point 3.

<sup>93</sup> Law No. 9632/2006 on the Local Tax System, Article 27, point 8.

<sup>94</sup> Law No. 92/2014 on Value Added Tax, Article 56, point 44.

shops dominate the retail sector, but supermarket chains, some foreign (Conad and SPAR) and some local (Big Market, Eco Market, and Extra), have gained market share over the last 10 years. Many international brands, e.g. in the clothing and DIY segments, have entered the market either directly or through franchises. Online sales are still an emerging sector.

4.230. The Ministry of Finance and Economy is responsible for policies regarding distribution services. Municipalities also play a role in urbanism and zoning questions.

4.231. Albania undertook full commitments under the GATS for all subsectors of distribution (commission agent, wholesale, retail, and franchising services) except for pharmaceutical products where "licensing is done only in cooperation with an Albanian professional whether this professional is a partner or an employee in the foreign company".<sup>95</sup> Albania therefore has no GATS limitations (such as economic needs tests, and limitation of number of suppliers) regarding distribution services.

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<sup>95</sup> Schedule of Specific Commitments, WTO document [GATS/SC/131](#), 22 November 2000, pp. 22-23.

## 5 APPENDIX TABLES

**Table A1.1 Merchandise exports by HS section and major HS chapter/subheading, 2015-22**

HS section/chapter/ subheading	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total exports (EUR million)</b>	<b>1,738</b>	<b>1,770</b>	<b>2,035</b>	<b>2,422</b>	<b>2,428</b>	<b>2,192</b>	<b>3,013</b>	<b>4,071</b>
	(% of total)							
1-Live animals and products	1.5	1.9	2.0	2.0	2.1	2.5	2.3	1.9
2-Vegetable products	4.4	5.1	5.0	4.6	5.4	6.8	5.3	4.9
HS 07 Edible vegetables and certain roots and tubers	1.7	2.2	2.6	2.4	2.6	3.3	2.4	2.3
HS 0702 Tomatoes, fresh or chilled	1.2	1.4	1.5	1.4	1.4	1.5	0.9	0.8
HS 0707 Cucumbers and gherkins, fresh or chilled	0.2	0.3	0.4	0.4	0.4	0.5	0.6	0.6
HS 0709 Other vegetables, fresh or chilled	0.1	0.2	0.3	0.3	0.5	0.8	0.6	0.5
3-Fats and oils	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
4-Prepared food, beverages and tobacco	2.8	3.4	3.9	3.7	4.3	5.0	4.3	3.8
5-Mineral products	26.6	19.2	15.8	18.3	16.9	14.6	18.8	22.2
HS 27 Mineral fuels	18.6	11.3	8.8	13.4	11.2	8.4	13.7	17.1
HS 2716 Electrical energy	1.7	2.2	0.8	4.0	1.1	1.3	5.8	7.3
HS 2709 Petroleum oils and oils obtained from bituminous minerals, crude	13.0	8.0	5.3	6.7	7.3	4.9	6.0	7.2
HS 26 Ores, slag and ash	4.9	5.1	4.2	2.5	3.0	3.0	2.6	3.4
HS 2610 Chromium ores and concentrates	3.8	4.8	3.9	1.9	1.8	1.3	1.3	2.4
HS 2603 Copper ores and concentrates	0.5	0.0	0.0	0.3	0.8	1.2	0.9	0.7
6-Chemicals and products thereof	0.9	0.9	0.9	1.1	1.5	1.6	1.6	1.8
7-Plastics and rubber	0.7	0.8	0.8	0.9	1.1	1.2	1.3	1.4
8-Raw hides and skins; leather, furskins and articles thereof	1.2	1.1	1.1	0.9	0.8	0.7	0.6	0.6
9-Wood, cork, straw	1.0	0.9	0.9	0.9	1.0	1.2	1.0	1.0
10-Pulp of wood; paper and paperboard	2.4	2.3	2.2	2.0	2.2	2.0	1.7	1.9
11-Textiles and textile articles	18.9	22.2	22.0	20.2	20.5	20.9	16.6	14.4
HS 62 Articles of apparel and clothing accessories, not knitted or crocheted	11.1	12.9	12.6	11.1	10.8	10.8	8.1	7.0
HS 61 Articles of apparel and clothing accessories, knitted or crocheted	7.1	8.6	8.5	8.2	8.6	8.4	7.3	6.3
12-Footwear, headgear, etc.	18.2	21.6	21.0	19.6	19.1	16.8	13.9	13.5
HS 64 Footwear, gaiters and the like; parts of such articles	18.0	21.3	20.7	19.4	18.8	16.6	13.7	13.3
HS 6406 Parts of footwear (including uppers whether or not attached to soles other than outer soles)	7.2	8.4	8.5	8.4	8.7	8.0	7.6	7.5
HS 6403 Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	8.1	9.8	9.7	8.7	8.5	7.4	5.1	4.8
13-Articles of stone, plaster, cement	0.4	0.7	0.8	0.7	0.8	0.8	0.8	0.8
14-Precious stones and metals	0.3	0.3	0.3	0.3	0.4	0.5	0.4	0.3
15-Base metals and articles thereof	14.1	12.4	15.2	16.5	14.4	14.5	20.9	20.9
HS 72 Iron and steel	7.8	6.4	8.3	10.5	8.5	7.8	13.1	12.9
HS 7202 Ferro-alloys	2.8	2.9	3.7	5.0	3.0	2.2	5.8	6.3
HS 7214 Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded	3.4	2.7	3.9	5.1	5.2	4.8	5.6	4.9
HS 76 Aluminium and articles thereof	2.2	2.6	2.9	2.5	2.2	2.4	3.3	3.6
HS 7601 Unwrought aluminium	1.1	1.2	1.4	1.1	0.9	1.2	1.6	1.5
HS 7604 Aluminium bars, rods and profiles	0.4	0.6	0.7	0.6	0.6	0.6	0.9	1.2
HS 73 Articles of iron or steel	0.9	0.9	1.1	1.0	1.3	1.8	1.8	2.1
HS 7308 Structures and parts of structures	0.1	0.3	0.4	0.4	0.6	0.8	0.8	1.0
HS 7314 Cloth, grill, netting and fencing, of iron or steel wire; expanded metal of iron or steel	0.3	0.3	0.3	0.3	0.4	0.5	0.5	0.6
16-Machinery, electrical equipment	3.8	3.8	4.6	5.1	6.1	6.9	6.8	7.0



HS section/chapter/ subheading	2015	2016	2017	2018	2019	2020	2021	2022
HS 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	2.9	2.7	3.4	3.6	4.0	5.2	5.8	5.8
HS 8544 Insulated wire, cable and other insulated electric conductors	0.4	0.6	1.0	1.2	1.4	2.1	3.0	3.0
HS 84 Machinery and mechanical appliances; parts thereof	0.9	1.1	1.3	1.5	2.0	1.7	1.1	1.2
17-Transport equipment	0.6	0.9	0.9	0.7	1.0	1.3	1.0	1.2
18-Precision equipment	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
19-Miscellaneous manufactured articles	1.8	2.1	2.1	1.9	2.3	2.3	2.2	2.0
20-Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table A1.2 Merchandise imports by HS section and major HS chapter/subheading, 2015-22**

HS section/chapter/ subheading	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total imports (EUR million)</b>	<b>3,900</b>	<b>4,226</b>	<b>4,667</b>	<b>5,030</b>	<b>5,283</b>	<b>4,905</b>	<b>6,547</b>	<b>8,007</b>
	(% of total)							
1-Live animals and products	3.5	3.1	3.4	3.3	3.5	3.5	3.3	3.4
2-Vegetable products	5.2	4.7	4.2	4.4	4.3	4.8	3.8	3.3
3-Fats and oils	1.2	1.1	1.0	0.9	0.8	1.0	0.8	0.9
4-Prepared food, beverages and tobacco	7.9	8.4	8.4	8.0	8.4	9.0	8.2	8.1
HS 22 Beverages, spirits and vinegar	1.8	1.9	2.1	2.1	2.1	2.1	2.1	2.0
5-Mineral products	11.1	8.6	10.6	10.7	11.9	9.1	13.2	18.1
HS 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	10.4	8.1	9.9	10.1	11.3	8.5	12.6	17.4
HS 2710 Petroleum oils and oils obtained from bituminous minerals, other than crude	6.4	5.3	4.5	6.2	5.9	4.5	5.4	7.7
HS 2716 Electrical energy	2.5	1.5	3.7	2.0	3.7	2.5	4.8	6.6
HS 2711 Petroleum gases and other gaseous hydrocarbons	1.0	0.9	1.2	1.3	1.1	1.1	1.7	2.4
6-Chemicals and products thereof	9.4	9.2	9.2	8.6	9.1	10.1	9.4	7.8
HS 30 Pharmaceutical products	3.5	3.7	4.0	3.5	3.6	4.1	3.9	3.0
HS 3004 Medicaments	3.1	3.3	3.5	3.2	3.2	3.7	2.9	2.5
7-Plastics and rubber	4.4	4.6	4.7	4.9	4.4	4.8	4.9	4.5
HS 39 Plastics and articles thereof	3.6	3.9	4.0	4.1	3.6	3.9	4.0	3.8
8-Raw hides and skins; leather, furskins and articles thereof	2.9	3.0	3.0	2.9	2.7	2.1	1.9	1.8
9-Wood, cork, straw	1.4	1.6	1.4	1.5	1.5	1.5	1.5	1.4
10-Pulp of wood; paper and paperboard	2.6	2.5	2.4	2.5	2.5	2.5	2.1	2.3
11-Textiles and textile articles	10.1	11.0	11.3	11.2	11.0	10.4	9.5	8.9
HS 61 Articles of apparel and clothing accessories, knitted or crocheted	2.3	2.6	2.7	2.7	2.7	2.5	2.5	2.2
HS 62 Articles of apparel and clothing accessories, not knitted or crocheted	2.5	2.6	2.6	2.5	2.5	2.2	1.9	1.8
12-Footwear, headgear, etc.	2.6	2.8	2.7	2.6	2.5	2.0	1.8	1.8
13-Articles of stone, plaster, cement	2.4	2.3	2.3	2.3	2.4	2.5	2.6	2.4
14-Precious stones and metals	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4
15-Base metals and articles thereof	10.0	10.8	10.0	9.9	9.7	10.4	11.4	12.0
HS 72 Iron and steel	3.5	3.0	3.8	4.2	4.0	4.8	5.9	6.3
HS 7214 Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded	0.6	0.8	0.7	0.5	0.8	1.0	1.9	2.7
HS 76 Aluminium and articles thereof	1.5	1.5	1.5	1.5	1.4	1.5	1.8	2.1
HS 7601 Unwrought aluminium	0.5	0.5	0.5	0.5	0.4	0.4	0.7	0.8
16-Machinery, electrical equipment	15.1	15.7	14.6	14.9	14.4	15.0	14.0	13.2
HS 85 Electrical machinery and equipment and parts thereof	7.1	7.1	6.9	6.8	7.1	7.3	6.9	6.6
HS 84 Machinery and mechanical appliances; parts thereof	8.0	8.6	7.7	8.1	7.3	7.7	7.0	6.6
17-Transport equipment	6.5	7.0	7.0	7.4	7.1	7.1	7.4	6.5
HS 87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	6.0	6.9	6.9	7.3	7.0	7.0	7.1	5.9
HS 8703 Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars	4.0	4.5	4.8	5.1	5.0	5.0	5.0	4.1
18-Precision equipment	1.3	1.2	1.3	1.4	1.4	1.4	1.3	1.1
20-Miscellaneous manufactured articles	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.1
21-Works of art, etc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table A1.3 Merchandise exports by destination, 2015-22**

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total exports (EUR million)</b>	<b>1,738</b>	<b>1,770</b>	<b>2,035</b>	<b>2,422</b>	<b>2,428</b>	<b>2,192</b>	<b>3,013</b>	<b>4,071</b>
	(% of total)							
<b>Americas</b>	<b>1.4</b>	<b>1.0</b>	<b>1.4</b>	<b>1.9</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>	<b>3.0</b>
United States	0.9	0.7	1.3	1.7	1.2	1.2	1.3	2.8
Other America	0.5	0.4	0.2	0.2	0.2	0.2	0.2	0.2
<b>Europe</b>	<b>93.5</b>	<b>93.8</b>	<b>93.5</b>	<b>94.5</b>	<b>94.9</b>	<b>94.3</b>	<b>93.4</b>	<b>92.8</b>
EU-27	75.1	77.7	76.9	75.9	76.3	74.7	72.3	73.3
Italy	50.9	54.7	53.5	47.9	47.9	45.5	42.3	43.4
Germany	3.2	3.4	4.1	4.4	4.8	5.9	5.5	6.6
Spain	5.2	3.3	5.5	7.8	8.0	6.0	6.4	4.8
Greece	3.9	4.6	4.3	4.2	4.3	4.9	5.8	4.8
Croatia	0.2	0.4	0.3	0.3	0.4	0.7	0.9	1.6
Sweden	0.0	0.2	0.9	0.8	0.9	0.9	0.9	1.4
Czech Republic	0.3	0.6	0.9	1.5	1.4	1.6	1.7	1.3
Bulgaria	1.2	1.1	1.1	0.9	1.2	1.4	1.2	1.2
Slovak Republic	0.1	0.1	0.1	0.2	0.1	0.5	1.2	1.2
Austria	1.2	0.5	0.7	0.6	0.6	0.6	0.7	1.1
EFTA	1.0	1.1	0.5	1.0	0.4	0.3	0.7	0.7
Other Europe	17.3	15.0	16.0	17.6	18.2	19.3	20.4	18.8
Kosovo <sup>a</sup>	8.6	6.8	7.7	8.7	10.0	9.7	10.2	7.8
North Macedonia	2.6	2.6	3.1	2.8	2.9	3.2	3.4	4.0
Serbia	1.3	1.9	1.8	2.6	1.8	2.3	2.7	2.8
Montenegro	1.4	1.8	1.8	1.8	1.8	1.9	1.6	1.6
Türkiye	2.9	1.2	0.8	0.7	0.7	1.1	1.4	1.3
<b>Commonwealth of Independent States (CIS)<sup>b</sup></b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.1</b>
<b>Africa</b>	<b>1.1</b>	<b>0.7</b>	<b>0.9</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>	<b>0.3</b>	<b>0.2</b>
<b>Middle East</b>	<b>0.9</b>	<b>0.8</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.5</b>	<b>0.4</b>
<b>Asia</b>	<b>3.1</b>	<b>3.7</b>	<b>3.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.9</b>	<b>3.9</b>	<b>3.4</b>
China	2.7	3.1	3.1	1.8	2.1	1.8	2.5	2.0
Japan	0.1	0.2	0.2	0.2	0.3	0.3	0.8	0.9
Other Asia	0.2	0.5	0.3	0.7	0.4	0.7	0.7	0.5
<b>Other</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
Memo:								
EU-28	75.3	77.9	77.1	76.3	76.6	75.0	72.5	73.7
CEFTA	11.8	11.3	12.1	14.0	14.7	15.2	16.2	14.4

a References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

b Commonwealth of Independent States, including certain associate and former member States.

Source WTO Secretariat calculations, based on data provided by the authorities.

**Table A1.4 Merchandise imports by origin, 2015-22**

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total imports (EUR million)</b>	<b>3,900</b>	<b>4,226</b>	<b>4,667</b>	<b>5,030</b>	<b>5,283</b>	<b>4,905</b>	<b>6,547</b>	<b>8,007</b>
	(% of total)							
<b>Americas</b>	<b>4.2</b>	<b>4.1</b>	<b>3.8</b>	<b>3.8</b>	<b>4.3</b>	<b>3.9</b>	<b>4.1</b>	<b>3.5</b>
United States	1.6	1.9	1.5	1.5	2.0	1.5	1.6	1.4
Other America	2.6	2.2	2.3	2.3	2.4	2.3	2.5	2.1
<b>Europe</b>	<b>79.5</b>	<b>79.4</b>	<b>80.4</b>	<b>78.7</b>	<b>77.9</b>	<b>78.5</b>	<b>76.7</b>	<b>75.1</b>
EU-27	60.7	62.4	60.6	60.0	57.6	57.9	54.4	51.6
Italy	30.2	29.2	28.6	27.3	25.3	25.1	24.3	21.6
Greece	7.8	7.9	8.0	8.1	8.4	9.0	8.0	7.8
Germany	6.7	9.5	8.1	7.8	7.2	7.7	6.9	6.2
Poland	1.5	1.6	1.6	1.5	1.6	1.7	1.5	1.7
Spain	1.6	2.2	2.2	2.5	1.8	1.6	1.4	1.7
France	2.2	2.0	1.7	1.9	2.0	2.0	1.6	1.5
Romania	1.1	1.2	1.2	1.7	1.3	1.0	0.9	1.3
Slovenia	0.6	0.6	0.8	0.7	1.1	0.8	0.7	1.3
Bulgaria	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.2
EFTA	1.6	1.2	2.2	1.7	2.5	1.9	1.7	2.4
Switzerland	1.5	1.2	2.1	1.6	2.4	1.7	1.6	2.3
Other Europe	17.2	15.8	17.6	17.0	17.8	18.7	20.5	21.1
Türkiye	8.0	7.9	8.1	8.4	9.5	9.6	10.8	12.1
Serbia	3.8	3.1	4.0	3.4	3.6	3.8	3.5	3.4
Kosovo <sup>a</sup>	1.0	1.0	1.3	1.4	1.2	1.4	1.9	1.7
North Macedonia	1.6	1.3	1.4	1.5	1.3	1.5	1.7	1.6
<b>Commonwealth of Independent States (CIS)<sup>b</sup></b>	<b>2.2</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>1.8</b>	<b>2.4</b>	<b>2.4</b>	<b>2.1</b>
Russian Federation	2.2	1.9	1.9	2.0	1.8	2.2	1.9	1.1
Azerbaijan	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.7
<b>Africa</b>	<b>1.0</b>	<b>1.3</b>	<b>1.8</b>	<b>1.6</b>	<b>1.7</b>	<b>1.3</b>	<b>1.8</b>	<b>1.9</b>
<b>Middle East</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>3.5</b>	<b>5.4</b>
Saudi Arabia, Kingdom of	0.1	0.1	0.1	0.2	0.1	0.1	1.4	3.6
<b>Asia</b>	<b>11.9</b>	<b>12.4</b>	<b>11.3</b>	<b>11.8</b>	<b>12.4</b>	<b>12.4</b>	<b>11.4</b>	<b>12.0</b>
China	8.6	8.8	7.9	8.4	9.2	8.9	8.1	8.1
Japan	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Other Asia	2.9	3.1	2.9	3.0	2.7	3.1	2.9	3.5
<b>Other</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
Memo:								
EU-28	61.6	63.1	61.5	60.9	58.4	58.8	55.3	52.4
CEFTA	7.4	6.0	7.2	6.6	6.6	7.0	7.6	7.1

a References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

b Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on data provided by the authorities.

**Table A2.1 Selected notifications, 1 January 2016-31 August 2023**

Agreement	Requirement/contents	Periodicity	WTO documents (most recent during review period, if submitted periodically)
<b>Agreement on Agriculture</b>			
Articles 10 and 18.2	Export subsidies (Table ES:1)	Annual	<a href="#">G/AG/N/ALB/19</a> , 2 May 2021
Article 18.2-DS:1	Domestic support (Table DS:1)	Annual	<a href="#">G/AG/N/ALB/8</a> , 16 October 2018
<b>Agreement on Import Licensing Procedures</b>			
Article 7.3	Replies to questionnaire on import licensing procedures	Annual	<a href="#">G/LIC/N/3/ALB/12</a> , 8 March 2023
<b>Agreement on Trade-Related Aspects of Intellectual Property Rights</b>			
Article 63.2	Laws and regulations	Once, then changes	<a href="#">IP/N/1/ALB/6</a> ; <a href="#">IP/N/1/ALB/C/3</a> , 29 January 2021
Article 69	Notification of contact points	Once, then changes	<a href="#">IP/N/3/ALB/1</a> , 18 September 2020
<b>Agreement on Trade Facilitation</b>			
Articles 15 and 16	Notification of Category commitments	Once, then changes	<a href="#">WT/PCTF/N/ALB/3</a> , 28 April 2023
Articles 1.4, 10.4, 10.6.2, and 12.2.2	Notification of Category commitments	Once, then changes	<a href="#">G/TFA/N/ALB/2</a> ; <a href="#">G/TFA/N/ALB/1/Add.1</a> , 18 October 2019
<b>Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping)</b>			
Article 16.4	Semi-annual reports under of the Agreement - Revision		<a href="#">G/ADP/N/377/Add.1</a> , 20 April 2023
<b>Agreement on Rules of Origin</b>			
Paragraph 4 of Annex II	Preferential rules of origin		<a href="#">G/RO/N/230</a> , 24 November 2021
Article 5	Non-preferential rules of origin		<a href="#">G/RO/N/209</a> , 11 January 2021
<b>Agreement on the Application of Sanitary and Phytosanitary Measures</b>			
Article 7, Annex B	Sanitary/phytosanitary regulations	<i>Ad hoc</i>	<a href="#">G/SPS/N/ALB/201</a> , 25 April 2017
<b>Agreement on Subsidies and Countervailing Measures</b>			
Article 25.1-GATT 1994 Article XVI:1	Subsidies (any subsidy as defined in ASCM 1:1 which is specific within the meaning of ASCM 2)	Semi-annual	<a href="#">G/SCM/N/372/ALB/Add.1</a> , 18 March 2021
Article 25.11	Countervailing duty actions (taken within the preceding 6 months)	Semi-annual	<a href="#">G/SCM/N/399/Add.1</a> , 20 April 2023
<b>Agreement on Technical Barriers to Trade</b>			
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures (proposed)	<i>Ad hoc</i>	<a href="#">G/TBT/N/ALB/96</a> , 16 July 2020
<b>Decision on Notification Procedures for Quantitative Restrictions</b>			
<a href="#">G/L/59/Rev.1 notification</a>	Market access – quantitative restrictions	Biennial, and <i>ad hoc</i>	<a href="#">G/MA/QR/N/ALB/1/Add.2</a> , 9 November 2021
<b>Understanding on the Interpretation of Article XVII:4(a) of the GATT 1994 (State trading)</b>			
GATT 1994, Article XVII:4(a)	Activities of state trading enterprises	Biennial	<a href="#">G/STR/N/19/ALB</a> , 2 November 2022
<b>General Agreement on Trade in Services</b>			
Article III:3	Legislative changes	<i>Ad hoc</i>	<a href="#">S/C/N/1098</a> , 28 February 2022
Article III:4	Enquiry/contact points	Once, then changes	<a href="#">S/ENQ/78/Rev.21</a> , 12 February 2021
Article V:7(a)	Economic integration agreements	<i>Ad hoc</i>	<a href="#">S/C/N/1055</a> ; <a href="#">WT/REG454/N/1</a> , 4 May 2021
Article VII:4	Recognition agreements	<i>Ad hoc</i>	<a href="#">S/C/N/1019</a> , 17 December 2020
<b>Participation in Regional Trade Agreements</b>			
Article XXIV:7(a) of GATT 1994	Notification of Regional Trade Agreement	<i>Ad hoc</i>	<a href="#">S/C/N/1055</a> ; <a href="#">WT/REG454/N/1</a> , 4 May 2021

Source: Compiled by WTO Secretariat, based on the notifications database.