Economic Performance

Economic Growth

3.4% in 2016 from 1.1% in 2013

Increase of new registered domestic and foreign businesses

Economic growth in 2016 - 3.4% compared to 2.6% in 2015; one of highest economic growth in the region

Monthly average of new business registration - 1600

Source: INSTAT
The FDI growth for the third trimester 2016 compared to the same period 2015 is 13.03% increased; FDI has increased average 9% to the GDP in 2015.

Level of unemployment decreased at 14.7% in 3rd trimester 2016 compared to 17.2% in the same period 2015.

Source: Bank of Albania and INSTAT
Foreign Trade

Trade is playing an increasingly important role in GDP

Albania’s Trade as % of GDP, 2013-2015

Increase in total exports, Nov. 2016 vs Nov. 2015, ALL

Source: INSTAT
Albania will benefit from its extensive FTA-s which covers a market of over 620 million customers.

Free trade advantage

1. CEFTA is a market of 26 million customers
   - 7 million is the size of the Albanian speaking market within CEFTA

2. EU
   - Albania is part of the EU’s market of 620 million customers

3. World
   - Albania is a Member of WTO and applies WTO rules
   - Bringing down trade barriers

Source: Ministry of Economic Development, Tourism, Trade and Entrepreneurship
Reasons to invest in Albania

A Competitive Human Capital
57% of Albania’s population is under the age of 35 and the average wage is one of the most competitive in the region

B Promising Sectorial Opportunities
Promising industries include, energy, tourism, agriculture, transport and manufacturing

C Comprehensive Structural Reforms
Government is launching major reforms to better attract foreign investments

Source: Ministry of Economic Development, Tourism, Trade and Entrepreneurship
A. Competitive Human Capital

In terms of human capital, Albania has a young workforce that are well-educated and highly-motivated

- 57% of Albanian’s Population is under age of 35
- The second youngest population in Europe (average age ca. 34.2 years)
- They are well educated, highly motivated, low labor cost
- Many speak fluently English, Italian and other foreign languages

Source: Ministry of Economic Development, Tourism, Trade and Entrepreneurship
## A. Competitive Human Capital

Many from the workforce have great language skills and have received professional training

<table>
<thead>
<tr>
<th>Language skills</th>
<th>Professional training</th>
<th>Workforce availability</th>
</tr>
</thead>
</table>
| *Albania’s workforce has proficiency in foreign languages*  
  - **English**, **Italian** are widely spoken  
  - **French and German** included in the education system | *Professional Trainings driven by market needs*  
  - **Vocational trainings** and hands on trainings at leader factories in each sector  
  - **Flexible structure**, to support workforce needs in different regions | *Approximately 116,000 students register annually in all the universities*  
  - Government support funds available for businesses expanding |

Source: Ministry of Economic Development, Tourism, Trade and Entrepreneurship
B. Promising Sectoral Opportunities

1. Energy
2. Tourism
3. Agriculture and Agro Processing
4. Transport
5. Manufacturing

Source: Albanian Investment Development Agency
Albania has a dynamic sector of renewable energy and tremendous untapped potential of green power

**Hydro energy**
- **Eight large rivers** run through the country from the mountainous East to the Adriatic and Ionian seas
- **Only 35%** of Hydro-Energetic potential of the country is utilized, and total resources are about **4,500 MW**

**Wind and solar energy**
- Albania has favorable conditions for development of solar energy – solar radiation is calculated to be more than **1,500 kWh/m²/yr**
- Albania has an **untapped wind power potential**, in particular along the Adriatic coast

**Petroleum and gas energy**
- Albania has significant oil reserves, producing 1.2 million tons in 2013
- Its exports of mineral fuels and oils to foreign markets at the end of 2013 amounted to 76,450 mln ALL, dominating the total domestic exports
- Exports of this category for 2014, accounted 25% of total exports

Source: Ministry of Economic Development, Trade and Entrepreneurship and INSTAT
### Tourism Sector Potentials

- Tourism Revenues, summer season 2016 - 521 mln Euro or 25% more than in 2015
- Number of visitors for summer season 2016, increased by 19.7% versus the same period 2015

<table>
<thead>
<tr>
<th>Main Tourism Product</th>
<th>Cultural and Heritage</th>
<th>Secondary Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coast</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beach (sand and sea)</td>
<td>Adventure hard</td>
<td>Museums</td>
</tr>
<tr>
<td></td>
<td>Adventure soft</td>
<td>Activities</td>
</tr>
<tr>
<td>Beach - mixed</td>
<td></td>
<td>Other types of tourism</td>
</tr>
<tr>
<td>Beach - rural</td>
<td>Eco – tourism</td>
<td>UNESCO sites</td>
</tr>
<tr>
<td></td>
<td>Rural environment</td>
<td>Festivals</td>
</tr>
<tr>
<td></td>
<td>Agro-tourism</td>
<td>Arts and Crafts</td>
</tr>
<tr>
<td></td>
<td>Rural heritages</td>
<td>History</td>
</tr>
<tr>
<td></td>
<td>Cultural activities</td>
<td>Architectures</td>
</tr>
<tr>
<td></td>
<td>Rural livelihoods</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Interest Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Break; Agro tourism, MICE; Religious festivities; Fishing/Hunting; Hiking, Bird Watching; Diving; Sea Sport, Diving, Paragliding</td>
</tr>
</tbody>
</table>
The agricultural sector of Albania has distinct natural advantages and superior market conditions

Albania’s agricultural output, in mln ALL, 2012-2015

Natural and market advantages

- **Favorable climate**
  - Average 16 degrees in the coastal areas
  - Diverse micro-climate that is suitable for different products
- **Suitable soil and abundant water**
- **Advantages from preferential trade agreements with EU on the increase in exports**

**Steady growth in the last years 2012-2015, (+18%)**

- 21,6% increase in exports in January – November 2016 compared to the same period 2015
- 26% increase in exports in 2015
- According to WBG statistics, the added value in 2015, accounting for 22% of GDP

Source: Albanian Investment Development Agency, INSTAT and WBG
Road Infrastructure

Adriatic – Jonian Corridor
It will link the Montenegro Coast with the Greek Coast. The entire road axis is part of the Core Network. Total length of about 380 km, divided in several segments.

East– West Road Corridor (Part Of Corridor VIII)
It foresees to link three Balkan Region capitals Tirana – Skopje – Sofia together and also links the important ports in Italian coast (Bari and Brindizi) with Durresi and Vlora in Adriatic Sea with port of Varna and Burgas in Black Sea.

Air Infrastructure

Kukësi Airport
- Located about 3 km south of Kukësi City, northern Albania being the 2nd civil airport

Airport in Southern Albania
- The purpose consist on the increased access to the tourism potential of the Albanian southern region

Source: Ministry of Economic Development, Trade and Entrepreneurship
RAIL TRANSPORT INFRASTRUCTURE

The Albanian Railway network comprises of 420 km of single-track rails. In the north, it is functionally linked with Montenegro. In the east, a 2.8 km missing line would create the link to Macedonia.

The feasibility study has already identified the importance and economic feasibility of the core sections of the network and in particular:

- Tirana - Rinas - Durrës railway section
- Vorë – Shkodër - Hani Hotit (Border) railway section: total length=120 km - estimated cost: 160 million Euros.
- Durrës – Elbasan – Pogradec - Lin (Border) railway section: total length 140 km – estimated cost: 220 million Euros.
- Rogozhinë - Vlorë railway section

Other potential railway linkages with existing/new ports
Key Facts

- The manufacturing sector represents about 15% of GDP, accounting for about 11.4% of total employment
- Inward processing industry accounting for about 10% of total employment in 2015
- Exports in manufacturing increased by 24.6% or 165 million dollars for 2014
- 12.3% increase in imports of “machineries, equipment and spare parts” for January-November 2016 compared to the same period 2015

Sector Advantages

- Highly skilled and cost-competitive workforce (lower salaries than other countries in the region)
- High quality products, experience and tradition
- Short-time deliveries to EU countries
- Good investment climate Government incentives

New stimulus given to the sector

- The Textile and Footwear Industry Package 2014, giving a strong stimulus to the fashion industry
- A symbolic rent of EUR 1 when leasing from government
- A one-stop shop dedicated solely to the sector
- Instant reimbursement of VAT and Simplification of procedures

Source: Albanian Investment Development Agency and INSTAT
Technological and Innovation Development

The reform includes:

- The implementation of innovative ideas helping create more competitive projects;
- Promoting enterprises to take advantage and use of information and communications technologies (ICT);
- On the other hand, is predicted to implement a number of new policies for the development and enhancement of scientific research (R&D) and the interaction between the academia, industry and government.

During 2017 are predicted some important measures such as:

- The approval of the working plans within the “2016-2020 Innovative policies framework” based on the concept of the so-called “Triple Helix”;
- The establishment of the “Consultative Council for Innovation”;
- Implementation of the project “Innovation HUB” creating an incubator space for the purposes of the ICT initiatives in start-up companies.
- The initiative with be offering services to this companies starting from the counseling and even with helping them with networking and partnering the start-up community with already established businesses or service providers in their operating field.

Source: Ministry of Economic Development, Trade and Entrepreneurship
C. Comprehensive Structural Reforms

A new economic model is in place, with focus on production and exports through major structural reforms

- Macro-economic reform
- Energy reform
- Pension reform
- Territorial-administrative reform
- Judicial reform
- Business climate and Deregulation reform
Further business climate reform is taking place in order to better share the growth opportunities with foreign investors.

Corporate tax rate – average 15%
VAT – 20%
Personal tax rate from 0 - 13% - 23% based on income levels
Favorable tax system for Small Businesses 0 - 5%
Treaties for the Avoidance of Double Taxation with 41 countries

Gov’t is increasing the efficiency of tax administration and fight against corruption through the National Economic Council and Investment Council.

Full protection and equal treatment to foreign investments.

The new policy packet for 2016 – includes 37 fiscal breaks, 12 from which were concluded from the communication and consulting with the Investment Council and the National Economic Council.

Introduction of e-registration and electronic notification of balance sheets and financial reports. The registration completed with less than 1 Euro and just 8 working hours; registration and licensing is offered through one single window.

The Agency for Delivery of Integrated Public Services (ADISA) provides integrated public services under the one-stop model.

Source: Albanian Investment Development Agency
Furthermore, Albania has no restriction on capital movement and has one of the most competitive tax rates in the region.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No restriction on capital transfer</td>
</tr>
<tr>
<td>2</td>
<td>No restrictions on repatriation of profits</td>
</tr>
<tr>
<td>3</td>
<td>Simplified tax procedures</td>
</tr>
<tr>
<td>4</td>
<td>Competitive tax rate</td>
</tr>
</tbody>
</table>

Source: Albanian Investment Development Agency
Legal Framework on FDI

Albania’s legal framework on FDI has been designed to create a favorable business climate for foreign investors

The new Law on Tourism

- Tourism is considered a **strategic sector**, in line with the other legislation on strategic investors
- Provides a comprehensive approach for an **integrated and sustainable development** of tourism
- Create **areas to be developed** by investors, and provide for public – private partnerships
- Provide expedited procedures for **land acquisition** and **leases up to 99 years**
- Introduce international **standards** and **certifications** for a sustainable tourist sector

The new Strategic Investments Law

- Stimulate and support strategic investments in **fast growing sectors**
- **Facilitate** administrative **procedures**, increase **transparency**, and **reduce** legislative **complexity** for strategic investments
- Increased **predictability** and **security** of state - investor contracts through **ratification of contracts** by statutes
- Expedited due diligence procedure (AIDA completes the due diligence **within 30 days** of the submission of an application)
- Support with the **necessary infrastructure**
- **Provision of immovable assets** to develop and implement strategic investment projects

Source: Albanian Investment Development Agency
# TEDA - Legal Framework

## The new law on Technical and Economic Development Areas

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Developers and users shall be exempted from <strong>50% of the profit tax</strong> rate for a period of <strong>5 years</strong></td>
</tr>
<tr>
<td>2</td>
<td>For developers that invest in the area, within <strong>3 years of commencement of work</strong> or the investor that shall invest in the area within <strong>3 years of commencement of the economic activity</strong> in the area, the annual capital expenses shall be <strong>20 % deductible</strong>, regardless of the sum of depreciation, pursuant to the law on profit tax, during a period of <strong>2 (two) years</strong>;</td>
</tr>
<tr>
<td>3</td>
<td>Supply of Albanian goods, intended to enter the area, shall be considered as a supply for export <strong>at zero scale</strong>;</td>
</tr>
<tr>
<td>4</td>
<td>Developer’s project shall be <strong>exempted from infrastructure tax</strong>;</td>
</tr>
<tr>
<td>5</td>
<td>Buildings constructed in the area shall be <strong>exempted from real estate tax</strong> for a period of <strong>5 years</strong> and from <strong>tax for transfer of ownership</strong>;</td>
</tr>
<tr>
<td>6</td>
<td>Wages and social costs shall be <strong>150 % deductible</strong> for the first year, and new expenses for wages and social costs compared to the previous year are <strong>150 % deductible</strong> for the subsequent years;</td>
</tr>
</tbody>
</table>

Source: Albanian Investment Development Agency
TEDA - Technical and Economic Development Areas

TEDA’S INCENTIVES

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

Source: Albanian Investment Development Agency
TEDA - SPITALLE

- TEDA SPITALLA (209 ha) situated on the suburbs of Durrës, second most developed city in Albania
- 6.4 km from the port of Durrës, the biggest and most important port in Albania
- 30 km from Tirana International Airport “Mother Teresa”
- 37 km from the capital city of Albania, Tirana

Source: Albanian Investment Development Agency
Potential Industrial Hubs for:

**Manufacturing – industrial and agro-processing**
- New innovative industries with high – tech
- Energy-efficient industries
- High-productivity industries
- IT activities
- Automotive spare parts, construction materials etc.

**Commercial and goods storage**
- Services (Administration, Banking, Customs, Health-care, legal, insurance companies, notaries etc.)
- Transport activities
- Support logistics

**Duration for the operation of the TEDA**
- 99 years
TEDA - KOPLIK

- 61 ha of flat land by Shkodra Lake

Potential Industrial Hubs for:
- Electronics
- Mechanical Industry
- Light industry
- Agro-processing
- Automotive Industries
- Trade and storage of goods
- Services (excluding call-centers)

Source: Albanian Investment Development Agency
An Opportunity for Investors and Land Developers

The Albanian Investment Development Agency is pleased to present this notice of three investment opportunities to develop and operate three fully serviced areas, located in Koplik, Spitallë and Vlorer, as newly created Technical and Economic Development Areas (TEDAs)...

This notice invites interested developers to engage with the Government in non-binding dialogue ahead of a potential tender process download notice.
International Organization Assessments on Economic Reforms

• **Doing Business 2017** - Albania ranks 58th in the world. Compared to 2016 Albania has jumped 32 places;

• According to “Heritage Foundation” Report, Albania is ranked 13th in the world out of 186 economies in the 2017 for Free Trade Index and first in the Balkan Region;

• According to **Global Competitiveness Index** (GCI) 2016-2017, Albania ranks 80th out of 138 countries/economies advancing by 13 places;

• **Standard & Poor's 2016** credit rating for Albania stands at B+ with stable outlook. According to Albania’s debt, the prestigious agency upgraded from B to B+ with a sustainable perspective;

• **Moody's** credit rating for Albania was last set at B1 with stable outlook;

• According to **EUROSTAT**, Albania has the lowest price levels for investments in Europe with a PLI of 55;
Investors already present in Albania

Source: Albanian Investment Development Agency