



TRADE POLICY REVIEW

REPORT BY

ALBANIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Albania is attached.

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1 INTRODUCTION

1.1. Albania fully supports an open, non-discriminatory, and rules-based multilateral global trading system. Since its WTO membership in 2000, Albania has implemented the obligations derived by the commitment undertaken in its membership and has been active at co-sponsoring different WTO initiatives. Albania has adhered at the WTO Trade Facilitation Agreement, accepted the schedule CXLVI of the extension of the list of information technology agreement, WTO Joint Statement Initiative on Service Domestic Regulation, ratified the WTO Agreement on Subsidies in Fishing and is preparing the acceptance document. Since last year, Albania has accelerated the process for the accession to GPA.

1.2. Albania implements the free trade agreements with European Union, Western Balkan (CEFTA), Türkiye, EFTA and after Brexit with Great Britain Albanian Trade Policy has followed a liberal approach in policy making, focusing more on trade facilitation than tariff reductions.

1.3. Around 98% of Albanian trade volume is done with trade partners with which Albania has FTAs. Exports of goods increased significantly during 2016-22. European Union is the main trade partner for Albania. In 2022, 73.4% of total exports was oriented at EU and 51.6% of total imports came from EU.

1.4. According to the assessment of Heritage Foundation in the Economic Freedom report for 2023, Albania's economic freedom score is 65.3, making its economy the 49th freest in the 2023 Index. Albania is ranked 27th freest among the 44 countries in the Europe region, and its overall score is above the world average confirming the liberal trade regime Albania has.

1.5. Albanian macroeconomic stability has significantly improved over the last decade, and its economy showed resilience against the impact of external shocks, the latest being the earthquake in 2019, the COVID-19 pandemic 2020-21 and the impact of the Russian invasion of Ukraine since 2022. The economy recovered rapidly in 2021, with real GDP growth of 8.9% and 4.86% in 2022. The expected growth for 2023 is 3.7% with the objective to go at 3.8% and 3.9% respectively in 2024-25.

1.6. During the review period, the main structural reforms undertaken by Government of Albania consist in, among others, reforms in the energy sector, digitalization, anticorruption, justice system and tourism sector. Other important reforms were undertaken in the areas of customs, anti-informality or government procurement. Transparency of public authorities, digitalization of the public services at the level of 95% of the total, improvement of the e-procurement system and functionalities, strengthening the integrity of central public institutions by adopting of integrity plans, enforcing of the cooperation of the criminal procedures of the corruption investigation, raising of the awareness and education against corruption are main field of a successful reform against corruption through the years. Fight against informality has continued through introducing IT system and digitalization.

1.7. On 19 July 2022, Government started the EU accession negotiations with the European Union, at the first EU - Albania intergovernmental conference. Policies in Albania continue to be guided by the objective of becoming a European Union member state.

2 ECONOMIC ENVIRONMENT

2.1 Macroeconomic stability

2.1. The Albanian macroeconomic stability has significantly improved over the last decade, and its economy showed resilience against the impact of external shocks, the latest being the earthquake in 2019, the COVID-19 pandemic 2020-21 and the impact of the Russian invasion of Ukraine since 2022. Over the decade 2012-21, Albania's real GDP growth averaged 2.5%. A period of low growth between 2012 and 2016 was followed by an economic upturn in 2017 and 2018, when growth at times reached around 4%. A drought and a major earthquake slowed economic growth in 2019 to 2.09%, followed by a 3.3% contraction in 2020 in the wake of the COVID-19. The economy recovered rapidly in 2021, with real GDP growth of 8.9% and 4.86% in 2022. The recovery of demand has been rapid and the output has already reached the pre-earthquake and pre-pandemic

level. The labour market has also improved, with unemployment rate decreasing to 10.8% by the last quarter of 2022.

2.2. The country's economy experienced a strong rebound in 2021 with real GDP growth of 8.9% and 4.86% in 2022. Main growth drivers were exports, private consumption and investments, fuelled by increasing employment and incomes. On the production side, growth was mainly supported by industry, construction, and services specially tourism. Also, even under the influence of the latest global energy and commodity supply shock, which has led to a strong increase in the general level of prices as well as in a strong tightening of financial conditions, again so far, the main economic and financial fundamentals and the general macroeconomic stability of the country has resisted relatively quite well against all these shocks.

2.3. The economy in 2022, in cumulative terms, recorded an economic growth of 4.86%. The economic growth during the last years has had a broad basis distributed in all sectors of the economy, where the main contributors have been the "Construction" and "Trade, transport and accommodation" sectors, as a result of the expansion of investments in the economy and of good tourism activity. In 2022, the construction sector has increased by 10.7%, industry has increased by 5.45%, wholesale trade has increased by 9.9%, information and communication by 9.6% and insurance financial activity by 9.1%. The only sector that had a slower performance was agriculture, the result of which was mainly influenced by the increase in prices in the international and domestic markets. On the expenditure side, economic growth reflected the expansion of consumption and investments, respectively by 5.6% and 6.5%, reflecting the strengthening of domestic demand as well as increased exports. It was mainly driven by the improvement of business and consumer confidence, by the recovery of the partner economies as well as by economic policies, particularly strong during the last two years.

2.4. As of May 2023, loan stock recorded an increase of 2.2% compared with May 2022. The stock of loans in domestic currency increased by 4.7%, while the stock in foreign currency decreased by 0.2%. The low loan growth reflects the high interest rates environment, both internally and externally, due to high inflation rates and macroeconomic interventions for its management. The ratio of nonperforming loans is relatively low at 5.23%. Although it shows a decline from 5.44% in May 2022, during 2023 has recorded a slight growth of 0.23 p.p., which is however quite low due to the expectations of NPL growth as a result of large increase of interest rates. In terms of deposits, in May 2023 the total stock of bank deposits grew by 4.5% compared to May 2022.

2.5. The current account deficit has been on continuous narrowing trend since the end of 2015. Spearheaded by rapidly expanding tourism revenues and supported by remittances, the current account deficit has lowered from 7.6% as ratio to GDP in 2016, to 6.0% in 2022. Save for a brief hiatus during the pandemic year (2020), current account improvements have been constant and even accelerating in the post pandemic (2021-22). Additionally, inflows in financial account have been substantial. In particular, FDI inflows have been constantly increasing and for several years have remained above the Euro 1 billion mark (in 2018-19 and 2021-22). On average, FDI inflows stood at 7.7% as a ratio to GDP and were able to singlehandedly finance the whole current account deficit. The inflows were first fostered by major projects in the energy sector, namely the Trans-Adriatic Pipeline (TAP) and hydropower investments which have combined for nearly EUR 2 billion. Additionally, since 2018, major inflows were associated with the "real estate" sector as non-residents are constantly purchasing resident homes in the country. In 2022, these inflows constitute the primary destination of FDI's. They are posed to continue in the future as major real estate projects are expected to come to fruition.

2.1.1 Monetary policy and inflation

2.6. Bank of Albania (BoA) pursues a CPI inflation targeting policy with a point target at 3%, as defined in the Monetary Policy Document (2015). At the same time, BoA is cautious to avoid excessive volatility in the real and financial sector. BoA relies on indirect instruments to affect interest rates in the financial market. The primary tool is the seven-day maturity reverse purchase agreement ("reverse repo") which serves as the main open market operation. Liquidity in the financial market is provided through reverse repos with one week to three months maturity.

2.7. Inflation rate remained below the target of BoA in the years 2016-20. The rates were particularly low in 2016, with inflation approaching zero in several months. That was mainly related

to a negative output gap and continued exchange rate appreciation associated with improvements in the external balances. The real sector conditions started to improve since 2017, with the output (and unemployment gap) gradually shrinking. However, inflation still remained below targets as real conditions took some time lag to transmit to prices. At the same time, due to continuous improvements in the external position, the domestic currency continued to appreciate vis-à-vis the Euro and other major trade partners' currencies. Economic activity came to a halt in 2020, as a result of pandemic restrictions. However, it was quick to recover in the 2021 and domestic inflationary pressures started to pick up. The inflation rate stood at 2.1% in 2021, up from 1.6% in 2020. It accelerated substantially in the first half of 2022 in the immediate aftermath of the Ukraine conflict. Inflation rose to 4.4% in 2022Q1 and reached 7.9% in the second half of the year. The rates began to decrease in 2023 mainly as international inflationary pressures have subdued. However, domestic inflationary pressure is still strong as a result of comparatively high economic growth, increasing wages and higher inflation expectations. These pressures are currently driving inflation developments and are the reason why the inflation rate still remains well above BoA's target.

2.8. Between 2016 and 2021, BoA has maintained a continuously accommodative monetary policy with consecutive reductions of the base interest rate at the time when inflation stood continuously below the target. Additionally, BoA applied continuous liquidity injections and provided forward guidance for future developments of monetary policy. As a result, market interest rates reduced gradually providing comfortable financing conditions for the real sector. The situation took a dramatic shift in 2022 when the conflict broke up the Ukraine. As inflation rapidly accelerated, BoA quickly changed the course of monetary policy instituting subsequent increases in the base rate. Additional future base rate increments were also announced through forward guidance. In spite of these developments, BoA estimated that the monetary policy remains accommodative as the factual base rate is still below the natural base rate. The surge of inflation was initially propelled by rising commodity prices and supply-chain bottlenecks – following the pandemic and the Russian Federation's war of aggression in Ukraine – which later passed through to domestic prices in an environment of strong domestic demand, tightening of labour market, and increasing inflation expectations. In line with Central Bank mandate to preserve price stability, the BoA started to tighten monetary policy from March 2022. Retreating commodity prices and monetary policy tightening is contributing to the decline in inflation rates. The latest figure of July 2023 puts the headline inflation rate at 4.2%. We forecast inflation to continue to moderate during 2023 and return to target by mid-2024.

2.1.2 Fiscal policy

2.9. In the period 2016-22, the fiscal policies undertaken by the Albanian government aimed to increase of collected tax revenues in relation to the Gross Domestic Product; incentivizing sectors, industries and business groups, which impact the country's competitiveness and economic growth; increasing the efficiency and effectiveness of the tax system through improvements in tax and customs administration and designing an integrated, neutral, stimulating and simple tax system, making it possible to reduce compliance costs and administration costs.

2.10. Changes in fiscal policies helped increase tax revenues, which in 2017 reached 25.7% of GDP from 22.2% of GDP in 2013, before the new fiscal policies. In the period 2017-19, in order to promote economic growth and consolidate businesses, the government undertook a series of easing measures in fiscal policies, including: zero tax for small businesses with income up to ALL 5 million per year; reduced tax rate of 5% for enterprises with income up to ALL 14 million; reduced preferential rates for priority sectors and industries in the development of the country such as elite tourism, agro-tourism, information technology, automotive industry; and exemptions from VAT for inputs and agricultural machinery in order to support agriculture, or other imports in the function of tourism development.

2.11. During 2020, a series of legal acts have been undertaken with the aim of mitigating the financial effects caused by the consequences of the COVID-19 Pandemic on the activity of businesses and individual incomes. In this framework the tax rate for profit tax and simplified small business profit tax, for taxpayers with a turnover of up to ALL 14 million per year, became 0% and the minimum value added tax registration threshold was increased from ALL 2 million turnover in a calendar year to ALL 10 million.

2.12. The new fiscal policies undertaken were positive and led to an increase in tax revenues from 25.2% of GDP in 2019 to 25.6% of GDP in 2021. In 2022 and following, the Ministry of Finance and Economy has started the implementation of a Medium-Term Revenue Strategy covering the period 2022-26, the main goals of which are increase in tax revenues by 2.55% of GDP at the end of 5 years; abolition of incentives, tax holidays, exemptions and reduced fees which have fulfilled their mission, or they did not deliver the expected results for which they were designed. The Medium-Term Revenue Strategy, which has begun to be implemented, and which was designed with the assistance of the International Monetary Fund, has been widely discussed with interest groups and the public, while it is expected to be discussed in the Strategic Policy Committee next to the Prime Minister.

2.13. The reforms against informality have continued to be a priority for Albanian government. Fiscalism reform undertaken by tax administration in 2020, is considered a major one, that has impacted the reduction of unfair competition by eliminating the fictitious invoices issued by the old tax blocs. It has simplified the way of invoicing, reducing the cost of tax compliance and providing a qualitative and quantitative basis of data for the tax administration in real time. Tax online services have created the opportunity for taxpayers and individuals to receive the requested service, saving time, human resources and administrative costs. Currently, 100% of tax services and declarations are online.

2.2 Structural reforms

2.14. The main structural reforms undertaken by Government of Albania consist in, among others, reforms in the energy sector, digitalization, anticorruption, justice system and the tourism sector. Other important reforms were undertaken in the areas of customs, taxation or improving government procurement Policies in Albania continue to be guided by the objective of becoming a European Union member State. The National Strategy for Development and European Integration 2022-2030 was approved in February 2023. As an overarching framework, the National Strategy for Development and European Integration 2021-2030 (SKZHIE III) is the main strategic document it provides the directions and determines the priorities of sustainable economic and social development of the country on the way its integration into the European Union, including the connection with the Sustainable Development Objectives in function of achieving the goals of the 2030 Agenda by defining the vision for the development of democracy, the social and economic development of the country during the period 2021-30.

2.2.1 Energy sector reform

2.15. Energy in Albania is produced 100% from renewables (99% by HPP-s and 1% by PV), counting one of the highest renewable energy shares in the energy mix among the countries the world. The overall energy policy of Albania is determined by the National Energy Strategy (2018-2030), approved by the Decision of the Council of Ministers (DoCM) No. 480/2018, as well as by the National Plan for Energy and Climate (2021-2030) adopted on 29 December 2021. Several measures have been taken towards increasing energy security through the promotion of renewable energy sources and energy efficiency improvement. The energy efficiency sector in Albania is regulated by the two important laws, Law "On energy efficiency" and Law "On Energy Performance in Buildings". Law "On energy efficiency", as amended, is mainly in line with Directive 2012/27/EU, especially as a result of its amendments approved in 2021.

2.16. In the framework of the obligations arising from the effective implementation of the "National Energy Strategy 2018-2030", the "National Plan for Energy and Climate", and the energy legislation in force, Ministry of Infrastructure and Energy, which is the authority in charge of these policies, is working to achieve the national objectives reducing energy consumption through increasing efficiency measures, diversifying, and increasing energy production from renewable sources, and decarbonization.

2.2.2 Digitalisation

2.17. Since the last Trade Policy Review, the digital revolution of public services in Albania has started the process of transforming the provision of public services, strongly believing in changing the minds of citizens and businesses regarding this new form of communication with state institutions. In terms of impact, this translates to reducing the costs of receiving services,

simplification of bureaucratic procedures, reduction of time to receive services, improvement of transparency and quality of service provision. The Albanian government, as a promoter of the transformation of offline services to online services, established the e-Albania platform as a success story, as well as managed to build a serious image of the state and restore the trust of citizens in public institutions. Albania has taken important steps towards fast and broad developments in digital service platforms, offering a wide-range and modern e-services, available to citizens and businesses. E-Albania, the national e-Gov portal acts as a front-end point for government institutions to deliver their services, thus operating as a one stop single access point to citizens and businesses 24/7. Currently, it offers 1,227 online services, or 95% of all public services, which are fully conducted online and do not require physical presence of individuals, vehicles, or laboratory samples. In 2022, a total of 8.7 million public services were obtained through e-Albania, of which 1.6 million are public services provided for the category of businesses.

2.18. The initiation of the fiscalisation process for tax invoicing marks a significant advancement, encompassing fiscalised invoices between businesses and the state, as well as business-to-business and business-to-citizen invoices. This development offers substantial convenience for businesses, alleviating the burden of managing physical books and transporting invoices for interactions with the state. Consequently, this transformation contributes to a reduction in overall business costs. In line with the government's objective to swiftly acquire administrative documents in real-time, the pathway was paved for the official acceptance of the electronic seal in 2017. This milestone facilitated the online generation of documents, endowed with an institutional electronic seal that holds identical legal standing as traditional paper documents.

2.19. Businesses already exchange electronically signed documents with full legal value online, and the need to meet or send hard copy letters is zero. Businesses apply only through the e-Albania portal and is the employees of the public administration who collect all accompanying state documents for their applications through a dedicated electronic system (SQDNE), releasing them from the burden of collecting the documents physically on paper at state counters. Thanks to the work done by automating the entire process, from 2022 for all public services applied to in the portal, the response/final administrative document is electronically sent to the account of each business in e-Albania with an electronic seal or signature. As a result, the response and final administrative document is provided exclusively online, completely avoiding direct physical contact between businesses and public institutions. Through the e-Albanian Government Portal, all businesses, have one stop single access point to take all actions related to their business. Businesses in e-Albania practically perform the entire cycle they need in relation to the state. This includes the opening of a new business, applications for permits and licences, payment of taxes, submission of balance sheets, tax payments, various attestations with an electronic seal, business extracts, bailiff actions, etc. During the year 2022, on the e-Albania portal, a total of 6.7 million documents with electronic seals have been generated by citizens and businesses. For the business category, 1.1 million documents with electronic seals have been generated.

2.20. Law No. 9880, dated 25/02/2008, amended in 2017, establishes the necessary legal framework for the recognition and use of electronic signatures in the Republic of Albania. As a direct result of the implementation of the electronic signature, it is possible the digitalization of complex processes in all steps, such as construction permits, electronic procurement, the automated data system for customs, etc. Law No. 43/2023 "On electronic Government" as a legal mechanism that serves to unify the procedures of receiving/providing electronic services. The adoption of this law brought a general regulation of the entire field of creation and provision of electronic services. This law enables the electronic provision of public services for obtaining/benefiting from them which do not necessarily require the physical appearance of the applicant.

2.2.3 Anticorruption

2.21. From the Government's perspective, continued efforts are provided to tackle the culture of impunity for state officials at all levels of government. The fight against corruption has been largely addressed by the Cross-cutting Strategy Against Corruption, 2015-2023. Significant progress was made in combating corruption through a comprehensive and multifaceted approach. There are positive achievements in the preventive, punitive, and awareness-raising strategies for implementing anti-corruption measures, while the Ministry of Justice conducts regularly monitoring of the compliance of the current strategy against corruption and action plan.

2.22. Since 2017, the Ministry of Justice holds the portfolio of the National Coordinator Against Corruption. The Network of Anti-Corruption Coordinators, previously established by Order of the Prime Minister in 17 agencies, is strengthened through the Decision of the Council of Ministers, extending to 44 institutions at central and other level, including the most neuralgic and especially corruption prone sectors. The Ministry of Justice of Albania, by March 2022, paved the way to a new clear anti-corruption strategy, strengthening both the preventive and awareness-raising function of the National Coordinator against Corruption. The new Cross-cutting Anti-Corruption Strategy 2023-2030, still a draft, has a clear vision: "Public institutions that operate in accordance with the highest standards of integrity, transparency and public accountability, and provide efficient services to citizens". The adoption will be within the year 2023. The new strategy considers the developments and progress resulting from the implementation of the current Intersectoral Strategy against Corruption and the related reforms, but also addresses shortcomings identified in both the scope of the strategy and its implementation and the evolving corruption risks.

2.2.4 Justice system reform

2.23. Reforms aimed at strengthening the judicial system that started in 2014 are seen as a key element for EU accession and continue. 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. *Inter alia*, the reforms modified the functioning of the Constitutional Court, the High Court, and the Prosecutor General to ensure their independence and integrity, and they established new institutions for the 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.

2.24. 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 professionalism, integrity and assets created over the years of their careers in the justice system. Until 01/06/2023, the re-evaluation/exclusion was done for a total of 669 reevaluation subjects, of which 233 re-evaluation subjects were dismissed.

2.25. Regarding the re-evaluation/exclusion process due to the resignation of the subjects, the process was interrupted for 97 re-evaluation subjects.

2.2.5 Tourism reform

2.26. Tourism sector has become one of the main contributors to the Albanian economic development. According to the World Travel and Tourism Council, during 2021, tourism sector recorded a total contribution of USD 3,092.7 million, accounting for about 17.4% of GDP. In terms of employment, the total contribution of travel and tourism for the same period was 226,100 jobs or 20% of total employment.

2.27. The strategic document for the development of the sector "The National Strategy for Sustainable Tourism Development 2019-2023" has been approved and is in the process of implementation. In accordance with the policy and legal framework of the sector and with the aim of supporting and encouraging foreign investments on the one hand, as well as promoting and developing quality accommodation services through the presence of international accommodation brands on the other hand, a series of legal changes for the creation and provision of fiscal incentives, have been undertaken.

2.28. With the aim of diversifying the tourist offer and further consolidating it through the use and optimization of untapped tourism potentials, a new legal framework has been drawn consisting of the Law No. 43/2020 "On maritime tourism activities" and the respective legal acts, that promotes the development of maritime tourism activities. Also, other legal interventions have been undertaken in the framework of the review and completion of the regulatory framework with the aim of promoting the development of sustainable, responsible, and quality tourism, the harmonized development of rural areas and the promotion of the competitiveness of the sector.

2.29. Currently, Law No. 93/2015 "On tourism" is in the process of revision and the changes have as their focus the sustainable development of tourism, through the increase of standards in the

tourism sector, the reduction of informality, consumer protection, etc. Also, the process of drafting of the new tourism strategy that will cover the period 2024-30 has begun.

2.3 Private sector development

2.30. Business and Investment Development Strategy 2021-2027 was adopted in August 2021. This new Strategy that replaced the Business Development and Investment Strategy (BIDS) 2014-2020, constitutes the main orientation of the Albanian Government for medium-term economic development, focusing mainly on the development of micro, small and medium enterprises, and investments. The three main objectives of the Strategy are: investment attraction and internationalization; SME development, entrepreneurship and innovation and human capital development.

2.3.1 Improving business environment

2.31. Albania has undertaken lots of reforms in improving business environment and competitiveness of Albanian economy. The OECD Competitiveness Report 2021 has identified six main areas where Albania has made progress such as in the policy of investment, trade, education, employment, energy and tax policies. SMEs are the backbone of Albanian economy which do consist of 99.8 % of our active enterprises. The deepest reforms that Albania has taken during the last years in order to increase the competitiveness of SME are reflected in report of OECD on SME Policy Index 2022: Western Balkans and Türkiye, for Albania, according to which Albania has improved its performance across all 12 policy areas and achieved its highest average scores in areas such as: institutional and regulatory framework for SME policy making; operational environment for SMEs; public procurement; standards and technical regulations; and internationalization of SMEs, where it also outperforms the Western Balkans and Türkiye's average.

2.32. During 2022, Albania adapted two new laws such as: the law on the development of micro, small and medium-sized enterprises and the law on start-up.

2.3.2 Strategic investments

2.33. The Strategic Investment Law (Law No. 55/2015), described in the previous Trade Policy Review is under implementation. From 2016 until now, 92 investment projects have been handled through Albanian Investment Development Agency (AIDA), of which: 44 investment projects have been granted the strategic status, 14 projects were rejected, and 34 projects are in the evaluation phase. Regarding approved projects, the possible projects for realization until 2026 (related to projects equipped with development and construction permits) reach an investment value of 733,569,182 Euros and ensure the opening of 5,303 new jobs. The possible projects to be realized in the next 14 years reach an investment value of 3,174,102,131 Euros and ensure the creation of 22,857 new jobs. Most of these projects are in the Tourism or Integrated Tourism sector. Currently, it is under process drafting of a unified law for investments that will merge Law No. 7764/1993 with Law No. 55/2015.

2.34. Since 2016, AIDA has been focused on strengthening communication with businesses and other stakeholders through the provision of after-care services. AIDA has had a proactive role in the approach of foreign and local investors present in Albania. Since 2016, AIDA has institutionalized the cooperation with 11 municipalities and has organized a total of 125 meetings in businesses of different sectors, including 21 meetings during the first 6 months of 2023.

2.3.3 Technology and economic development zones

2.35. Pursuant to Law No. 9789, dated 19/07/2007 "On the creation and operation of technology and economic development zones" amended in 2015, there are established four TEDA.

2.3.4 Business registration and licensing

2.36. Starting from 2020, the National Business Centre (NBC) has continuously cooperated with the National Agency for Information Society (AKSHI) for the provision of its services in the field of business registration and licensing, as well as the registration of beneficial owners online through the e-Albania government portal. Starting from 1 May 2022, all the services of the NBC are offered

online through the government portal e-Albania, with simple procedures, within short deadlines and at no cost to the business.

2.37. Following the implementation of the deregulation reform, until May 2023, there are 13 licences removed, mostly in the field of agriculture, energy, environment mining, hydrocarbon, forest and trade.

2.3.5 Public-private dialogue

2.38. Public consultation for the strategies and laws are conducted through the e-consultation portal (Electronic Registry for Public Notice and Consultation). There are 870 stakeholders registered in the portal that receive automatic notification for public consultation. The guideline for public consultation process was approved in January 2021. Frequency of public consultation is improved. For 2022 the index of frequency is 81.63%. The frequency index measures the frequency of public consultations by calculating the % of draft laws, strategic documents and policies (which were required to be submitted to the *Konsultimi Publik*¹) approved by the government, which have gone through public consultations. Institutional public consultation reports and Centre of Government outlook reports are produced in a timely fashion and the publication index is 100%. The publication index shows how many acts have been published in relation to the acts that should be published.

2.39. As reported in the last Trade Policy Review, the Investment Council (IC), established by the DCM No. 294, dated 8 April 2015, with the support of EBRD, has been very active at promoting public-private dialogue on initiatives relating to the investment climate in broad terms. Since 2016, the Investment Council held 28 meetings that addressed specific business issues and issued 295 recommendations (2015-22), based on a prior thorough analysis prepared by the IC secretariat team after a careful (i) research on national and international reports, (ii) inputs from direct meetings with private sector representatives and experts, (iii) relevant Albanian Investment Council survey data, and (iv) team analysis. The implementation rate of IC's recommendations is at 43%. The total recommendations issued in the meetings are categorized in six pillars: (i) Strategic, (ii) Institutional, (iii) Legal, (iv) Transparency related, (v) Policy and (vi) Awareness.

3 TRADE POLICY DEVELOPMENTS

3.1 Trade data

3.1. The most exported products for 2022 are textiles and shoes with 27.8%, minerals fuels and lubricants with 22.08%, construction materials and metals with 21.6%. During 2016-22, the export of chemical and plastic products increased more compared with other products, with an increase of 304% during this timeframe. Although with less growth, other products, like transport machinery and equipment, construction materials, etc. have improved their position compared to 2016.

3.2. The most imported products for 2022 are transport machinery and equipment with 19.7%, minerals fuels and lubricants with 18%, food beverage and tobacco with 15.7%, construction materials and metals with 14.4% etc. During 2016-22, the import of construction materials and metals increased more compared with other products, with an increase of 80% during this timeframe. There is a decrease of 2% for the import of leather and leather goods during 2016-22.

3.3. During the period of 2016-22 the export, in absolute terms, to Italy, Kosovo, Germany and Greece increased significantly.

3.4. During the period of 2016-22 imports suffered from a fluctuating trend. Italy is the leading partner in import, having an increasing up to 2019, decreasing in 2020 and increasing again in 2021. Same patterns of import had China, Türkiye, Greece, etc.

3.5. Exports to Italy, Kosovo, Germany, and Greece significantly increased from 2016-22 in absolute terms. Import trends were fluctuating during the 2016-22 period. Italy emerged as the leading import partner, with an increasing trend until 2019, followed by a decrease in 2020 and

¹ *Konsultimi Publik* in Albanian; Public Consultation in English.

subsequent increase in 2021. Similar import patterns were observed with countries like China, Türkiye, and Greece.

3.6. Overall, the analysis indicates that the textile and shoe industry dominated exports in 2022, while the import of transport machinery and equipment played a significant role. Chemical and plastic products experienced substantial export growth, while construction materials and metals showed significant import growth. The trade relationship with Italy proved to be crucial for both exports and imports, followed by other countries such as Kosovo, Germany, China, Türkiye, and Greece, which displayed varying import trends during the analysed period.

3.2 Trade policy making and coordination

3.2.1 Main trade policy advancement

3.7. From the last Trade Policy Review in 2016, Albanian Trade Policy has followed a liberal approach in policy making, focusing more on trade facilitation than tariff reductions. The new agreement with United Kingdom of Great Britain after Brexit, the Partnership, Trade and Cooperation Agreement was signed between the Republic of Albania and the United Kingdom of Great Britain and Ireland, in 2021, follows the same provisions as Stabilization Association Agreement Albania – EU. The MFN tariff was amended in November 2017, implementing the WTO schedule CXLVI of the extension of the list of information technology agreement, as well as some other tariff lines, which were not within the duty bound rate. The import tariffs applied by Albania are low, with a maximum of 15%, with approximately 50.8% of all tariff lines having MFN rate at 0% and 16.8 % of all tariff lines having MFN rate at 2%. As in the last Trade Policy Review, Albania still has some differences between MFN rate and the bound rate for few tariff lines are identified. This difference continues to be due to the correlations and changes in the tariff classification and legislative changes to make MFN level fully compliant with the WTO respective bound rate are in process. The website of the customs administration contains MFN and preferential tariffs for all products.

3.8. Albania implements the preferential rules of origin (PEM Convention) according to PEM Convention, since 2012. In May 2021, both Albania and Türkiye made linkages of PEM Convention. The new transitory rules of origin of PEM Convention, adapted in 2019, are reflected at SAA ALBANIA-EU, EFTA and CEFTA. With the Türkiye, the process is pending. The PEM transitory rules of origin with EU entered into force on 1 September 2021, with EFTA parties in January 2022, and with CEFTA on 1 February 2023.

3.9. Albania has maintained a very liberal trade regime, transparent and predictable, refraining any initiative or policy that constitutes a barrier to trade.

3.2.1.1 Customs procedures

3.10. Since the last Trade Policy Review Report, significant trade facilitations are done regarding customs procedures. The new Customs Code of the Republic of Albania approved by virtue of Law No. 102/2014, dated 31 July 2014 entered into force in June 2017. Implementing provisions for the Customs Code were approved with the CMD No. 651, dated 10/11/2017, "On the implementing provisions of Law No. 102/2014, 'Customs Code of the Republic of Albania'", bringing the degree of approximation of Albanian customs legislation to the steps of the EU. Albania has in place a sound legal frame regarding AEO. There are 11 companies to which AEO status is granted and 20 applications are submitted to customs administration. In 2022, customs administration adapted the AEO Strategic Plan 2022-2025. CEFTA Validation Team gave the positive opinion for the Albanian AEO programme, in June 2022. Mutual recognition agreements for AEOs with North Macedonia and Serbia were signed and entered in force during 2022. Customs Administration is paperless since 2018. It has set clear objectives in the service of citizens and businesses aiming at alignment with EU standards in terms of facilitating international trade, achieving the green channel to 30% of all customs declarations. During the review period, there are conducted and published two Time Release Study (TRS) based on the methodology of World Customs Organization, on average release time of goods, with the support of IFC, in March 2019 and December 2021, respectively. The last one showed reduction of the time of customs clearance compared to 2019. The use of transaction value for valuation purposes is 93% in 2022 compared to 89% in 2015. In 2018, a national valuation database is established.

3.11. In comply with WTO trade facilitation agreement, regarding single window, under category C, Albanian government has taken a loan from World Bank, in September 2019. In February 2020, a Unit (PIU) within the Ministry of finance and Economy is set up to follow the implementation of this Project. This project provides support for Albania with the development of such a National Single Window (NSW) and transition to an NSW environment. The Albanian Customs Administration benefits an amount of USD 12 million for the development and implementation of the Customs Single Window project; development of NCTS platform and the construction of the Joint Border Crossing Point (with North Macedonia) in Qafe Thane. The project is expected to be finalized within 2024. In April 2023, Albania submitted at WTO, the notification of arrangements and progress in the provision of technical assistance and capacity-building support of category C designations.

3.2.1.2 Sanitary and phytosanitary measures

3.12. In the area of food safety, the Food Law was amended in 2022, according to the agreement "On cooperation in the field of Veterinary, Food and Feed Safety in the Western Balkan" based on which the 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. the NFA, Article 16). Referring to this legal changes of 2022, official controls for products of animal origin that are imported within the framework of the agreement mentioned above, are carried out only for physical checks to the destination point at the customs terminal.

3.13. Official controls for all products that are imported in Albania are carried out at the Border Inspection Post according to the provisions of the Food Law, which includes inspections of food labels and control of product labels. The NFA is the competent authority for licensing food business operators as a precondition to import or export and also for FBOs that produce food and feed.

3.14. Referred to Order No. 37 dated 11/12/2019 of the General Director of the National Food Authority, the schedule for carrying out the official control at cross border at Hani i Hoti, Qafë-Thinë, Morinë has been unified 24/7. NFA inspectors at these border inspection points work 24/7 with prior notice. The Green Corridors/Lanes within Western Balkans were established at the beginning of the COVID-19 outbreak in order to prevent shortages of essential goods and medical equipment. The initiative was successful and the concept of Green Lanes has been extended to all intra-CEFTA BCPs/CCPs and to all goods. Now, the phytosanitary, veterinary and food inspections receive the pre-arrival information through the SEED not only for goods of first necessity but for all goods that require phytosanitary, veterinary or food inspections.

3.15. Law No. 10465/2011 on Veterinary Service was amended in 2020 related to monitoring structures and definitions regarding component authorities and in 2022 on the control procedures at final destination in compliance with amendments done at Food Law in 2022. The National Agency for Veterinary and Plant Protection (NAVPP) was established by the Decision of Council of Ministers No. 683, dated 2/9/2020 and it is the responsible institution for carrying out the official control and other activities in the field of veterinary within the Albanian territory. Under the NAVPP, at regional and local level, the Official control it is organized by four Regional Directorates of Veterinary and Plant Protection Services, which are responsible to carry out the official control and for the implementation other activities such as residue monitoring plan by sampling of commodities according to the monitoring plan as well as for the actions of follow-up in cases of non-compliances; identification – registration, vaccination; control of livestock markets and slaughterhouses etc. Number of official veterinarians in total is 530. In the field of SPS, since 2016, 19 notifications on draft technical regulations with an impact on trade have been notified by TBT Enquiry Point.

3.16. In 2016, it was approved the new law on plant health, Law No. 105/2016, partially in compliance with EU acquis. This law regulates plant health and plant protection products. Bylaws in its implementation bring the approximation of the EU acquis in both fields. The purpose of this law is to protect plants and plant products from pests, to prevent the entry and spread of pests in the territory of the Republic of Albania, to protect the health of people, animals, as and the environment, from the use of plant protection products. This law was amended in 2022 to strengthen the rules for the protection of plants, plant products and other objects from pests, as well as to prevent the entry and spread of quarantine and non-quarantine pests in the territory of the Republic of Albania. These amendments have only touched the plant health part, where it has made some legal adjustments, making it possible to fully or partially align the EU's acquis in this field through the bylaws in its implementation. Based also on the fact that since 14 December 2019, new EU legislation in this field came into force, with substantial changes from the previous legislation.

3.2.1.3 Standardization

3.17. Since last Trade Policy Review, two new Decisions of Council of Ministers (DCM) were approved, DCM No. 382/2018 "On standardization activity" as amended by DCM No. 673/2021 "On some amendments and changes to the DCM 382/2018". Their provisions embody the principles recognized by the World Trade Organization (WTO) in the field of standardization and have fully transposed the Regulation (EU) No. 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardization, as amended. With the support of IPA 2015 Action Program for Albania – EUIF, in June 2021 DPS submitted to CEN&CENELEC Management Centre (CCMC) the application to full membership in CEN&CENELEC. The request was accepted and in May 2022.

3.18. General Directorate of Standardizations (DPS) has agreements with European and international organizations, such as: CEN, CENELEC, ETSI, ISO, and IEC dealing with the rights and obligations of General Directorate of Standardizations according to the membership level this institution has in these organizations and it continues to have cooperation agreement with the NSBs in the Region, too.

3.19. All the standardization process on development, public enquiry, adoption, notification and publication of Albanian Standards continues to be carried out in full compliance with the Annex 3 of the WTO/TBT Agreement. Actually, the National adoptions rate in percentage is as to the period of March 2023 is: 87.07% CEN, 92.36% CENELEC; 89.17% OJEU, 94.75% CENELEC; 40% ETSI % in total and 3.6% ETSI % OJEU only. The adoptions are made by cover page method and without deviations from the original text of standards. All adopted standards are notified to CEN&CENELEC Management Centre.

3.20. Notifications of six monthly standards work-programme are regularly notified to ISO/IEC Secretariat. There are made 33 notifications on draft technical regulations with an impact on trade are notified by DPS since January 2016 until July 2023.

3.2.1.4 Technical regulation and accreditation

3.21. During the reporting period, solid progress is noted in the area of technical regulations. 16 technical rules have been transposed in the field of new approach. The Market Surveillance Inspectorate is responsible for the enforcement of product legislation, intellectual property rights and tourism legislation.

3.22. In the area of metrology, 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. Replacing an earlier law from 2008, the new law on Metrology (No. 126/2020) implements regulation aim to strengthen the metrological system overall, and improve consumer protection and public health. Laboratories of National Measurement Standards within General Directorate of Metrology operate according to a Quality Management System that is following the requirements of standard ISO/IEC 17025: 2017 and of the "Mutual Recognition Agreement of National Measurements Standards and Calibration Certificates" issued by the National Metrology Institutes and the International Committee for Weights and Measures (CIPM-MRA). DPM has registered since 2019, the Measurement and Calibration Capabilities (CMC) in the data base of the International Bureau of Weights and Measures (BIPM KCDB) in the field of mass, volume and pressure according to the requirements of the CIPM MRA.

3.23. In the area of accreditation, the General Directorate of Accreditation (DPA) is the sole accreditation body in Albania which performs the accreditation to conformity assessment bodies in mandatory and voluntary areas. It operates according to Law No.116/2014, dated 11 September 2014 "On accreditation of conformity assessment bodies in the Republic of Albania", which is fully in line with requirements of EU Regulation No. 765/2008 "Setting out the requirements for accreditation and market surveillance relating to the marketing of products". The new structure and organization chart of General Directorate of Accreditation is approved with Prime Minister Order No. 2 dated 12 January 2021.

3.24. The number of internal staffs of DPA was increased from 14 to 20. During the years 2016-23, DPA has taken further steps for extending its activity through the evaluation of new conformity

assessment schemes and addition of new accreditation activities. Currently, it results that during the period 2016-23, there were evaluated and accepted 32 conformity assessment schemes based to which the accreditation was provided to conformity assessment bodies. DPA is recently signatory member of EA MLA for four scopes: testing (2016), inspection (2018), management system certification (2018) and certification of persons (2020). DPA is signatory member of ILAC MRA for testing (2016) and Inspection (2018). DPA is signatory member of IAF MLA for two scopes: management system certification (2018) and certification of persons (2022).

3.25. Significant progress can be highlighted relating to number of accredited bodies. In 2016, the number of accredited conformity assessment bodies was 42, while currently, there are 111 accredited bodies (50 testing laboratories, 5 medical laboratory, 1 calibration laboratory, 8 management system certification bodies, 15 personnel certification bodies and 32 inspection bodies).

3.2.1.5 Competition policy

3.26. The Albanian Competition Authority (ACA), a public entity, independent in performing its tasks, is in charge of monitoring and implementing competition policy. The ACA exercises its competencies based on the Law No. 9121/2003, which is not amended during the review period. The main competition policy objectives are contained in the National Competition Policy issued in December 2006 approved by Competition Commission Decision No. 43 dated 28/12/2006, amended in 2016 significant changes were introduced.

3.27. The structure of ACA was amended in 2017, and approved by parliament with Decision No. 43/2017. Among the main changes, a new key position was adopted – the Chief Economist, who performs special economic and econometric analyses, to allow a more complete and adequate solution to market competition issues. The ACA is a full-right member of the International Competition Network (ICN) and is active in other international gatherings like OECD, UNCTAD, OECD-GVH/RCC etc.

3.28. From 2016-22, the ACA has initiated 86 investigations, which were preliminary or in-depth investigations in different sectors of the economy, regarding potential anti-competitive behaviour, abuse of dominant positions or prohibited agreements. From 2016-22, the ACA also taken completed 559 cases in total, out of these, 61 decisions were on Anti-competitive agreements, 70 on abuse of dominant positions, 182 on mergers and acquisitions. Decisions by the ACA may be appealed in court. From 2016-22 there were 35 decisions that are judged at the First Administrative Court, 12 decisions that are judged at the Administrative Appeal Court, and 8 decisions that are judged at the High Court. The ACA has the authority to impose fines, give obligations and recommendations, and other remedies as a result of its investigations.

3.2.1.6 State aid

3.29. Albania prepares every year the Annual Report for State Aid that is published at the Official Gazette. The Report contains detailed data on state aid for the reporting year. The annual state aid monitoring report is in compliance with the methodology of the European Commission in the area of state aid. Also, Albania submits regularly the notification on subsidies, at WTO structures.

3.2.1.7 Intellectual property rights

3.30. The aim of the Albanian Government in the field of intellectual property rights (IP) is to stimulate economic, scientific and cultural development in the country, to ensure the proper functioning of the internal market by establishing the right balance between the rights of the owners of intellectual property objects and interests of users as well as strengthen the system of registration of IP objects. The main policy document on IPR is the National Strategy of Intellectual Property (NSIP). This strategy covers a five-year period. Since last Policy Review it has been implemented all the objectives set at the NSIP 2016-2020. With the technical assistance of WIPO, the new NSIP 2022 – 2025 was approved with the Decision of Council of Ministers No. 350 of 26/05/2022 "On the approval of the National Strategy for Intellectual Property, 2022 – 2025". This new strategy clearly defines the commitments of each institution included in the institutional chain of implementation of these rights in the Republic of Albania.

3.31. The new copyright law of 2016, Law No. 35/2016 "On copyright and other related rights" revolutionized the copyright in Albania with the new concepts and procedures. The law transposed fully 8 directives of European Union and partially 5 EU Directive. The Albanian copyright law applies to national or foreign individuals that exercise creative, commercial, manufacturing or any other activity of assessment, exploitation, use or alienation of literary, artistic or scientific work in the Republic of Albania. In 2017, one stop shop was introduced, S.U.A.D.A. on collection and distributions of remunerations of copyright as a centralized structure and in 2016 the Albanian Copyright Directorate at the Ministry of Culture was established. In August 2022, the copyright law was amended, by Law No. 37/2022 of 14/04/2022 to improve the protection of copyright and other related rights. Since 2016, the Copyright Directorate has received 1,513 requests for the registration of copyrights. Albania has regularly done the notifications at WTO.

3.32. In the area of patents and trademarks, the Law No. 9947 dated 07/07/2008 "On Industrial Property" was amended in 2017 by the Law No. 17/2017 and in 2021 with the Law No. 96/2021. The amendments of 2017 introduced the well-known trademark, licensing of the IP experts, improvements in the procedures of IP objects and important changes regarding the geographic Indications and designation of origin. Another important amendment done with the law of 2017, is the change of the name and administrative structure of GDIP from a budgetary public institution into a public non-budgetary institution. It functions as an autonomous agency under the supervision of the Minister responsible for Economy. For the period 2023-25, it is envisaged a legal reform in the field of IP which will consist in the drafting and approval of 5 divided laws related to IP objects. The Law "On some amendments to Law No. 9947 of 7/07/2008 'On industrial property'" approved in August 2021, approximates partially the Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, to setup the state Industrial Property Database and the Industrial Property Management System (SAPI). The amendments aim to provide to State Inspectorate of Market Surveillance, as well, the right to carry out inspections not only based on the complaints of right holders, but also ex officio.

3.33. During 2018, Albania has signed four international agreements in the field of Industrial Property. According to NSIP 2022-25, it is foreseen the adoption of Albania at two other international treaties concretely in the Singapore Treaty and in the Nairobi Treaty.

3.34. All the applications for patents, trademarks, industrial designs, or GIs can also be made electronically via the e-Albania system since 1 May 2022. Referring at the period 2015-22, the trend of national applications has been an upward trend. In the total number of applications in percentage for 2022, international applications account for 63% while national applications account for 37% of which national application from foreign applicants account for about 13.6% and applications with local applicants account for 23.3%. In the last 5 years, there have been 85 applications for a national patent and 11 applications for a Utility Model with Albanian and foreign applicants.

3.35. Registration of products as Geographical Indication and Appellation of Origins has taken a major importance nowadays. From the Lisbon Agreement for the Protection of Appellations of Origin and their international registration, for the year of 2022, 6 applications have been filed. During 2022, 1 application for registration of Appellation of origin was filed and also during this year, 1 Certificate of Registration of Appellation of Origin was issued.

3.36. In 2016, the State Inspectorate of Market Surveillance (SIMS) an institution under the Ministry of Finance and Economy was established by DCM No. 36, dated 20/01/2016. SIMS is responsible for inspecting the safety of non-food products for consumers use and guarantying the protection of the intellectual property, in the internal market of the Republic of Albania, against the infringements that constitute in administrative offenses. Within SIMS structures, there is copyright unit and Industrial Property unit. 336 inspections were carried out by the Industrial Property Sector during 2018. From 2017 up to 2022, there are conducted 2,266 inspections relating to infringements of copyright and related rights, 468 inspections relating to violation of industrial property rights, including trademarks, and there are imposed 297 administrative measures on copyright and 121 for industrial property.

3.37. Since 2016, the applications for action (AfA) registered in the custom's register are 710 in total and during 2016-22, there have been 40 cases of detention.

3.2.1.8 Agriculture and fisheries

3.38. The Strategy of agriculture, rural development and fishing 2021-2027, clear policies and objectives have been defined, as well as concrete measures on three main policy areas: a) sustainable development of agriculture and rural areas; b) sustainable development of fisheries and the blue economy and c) development of administrative and institutional capacities, cooperation of actors, innovation and digitalization. Cross-cutting objectives of this strategy are strengthening of institutional and administrative capacities towards alignment with EU *acquis communautaire* and transfer of knowledge and innovation in agriculture and rural areas.

3.39. Agriculture continues to be an important contributor for growth, having considerable share in the Albanian economy, contributing by about 20% to the GDP.

3.40. During 2016-22, agriculture has undergone important developments. The Policy of the Albanian Government for Agriculture includes: 1) continuation of improving the quality of life in rural areas and diversification of spaces and opportunities for economic activities; 2) promoting the balancing of differences in living standards between urban and rural areas, with continuous investments in rural public infrastructure in the service of the economic activities of actors in the agricultural sector; 3) increasing exports of agricultural and fishing products and increasing the added value in the country; 4) sustainable development of rural tourism and agro tourism; and 5) increased support for agriculture, livestock and rural development.

3.41. To achieve this goal during 2010-15, domestic financial support to agriculture is increased, complying with WTO Agreement on Agriculture. Since 2016, the national support schemes are redesigned, including schemes aimed at: increasing the competitiveness of livestock and agricultural products in protected environments, reducing costs, through payments for registered animals as well as for cultivated surface; certification of agricultural products and organic farms; construction of agricultural products markets and live animal markets in some municipalities of the country; improving energy efficiency and adapting fishing capacities to fish resources; oil support for agriculture for the performance of mechanized works in agricultural crops and support for training and knowledge transfer in the field of agriculture and rural development.

3.42. 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. IPARD II Programme is being implemented from 2018 (the first call for applications was launched on end of October 2018 after granting entrustment budget implementation tasks by DG Agri). The IPARD complements and operates in parallel with the National Agricultural Support Scheme and it is also implemented by the ARDA. Implementation of IPARD II started at the end of 2018 and is still ongoing as the rule of $n+3$ is applied. The total grant funding of the programme is EUR 71 million as EU contribution and EUR 23.6 million as Government of Albania contribution and it contributes to the sector, focusing on investments in physical assets of agricultural holdings; investments in physical assets concerning processing and marketing of agricultural and fishery products and farm diversification and business development.

3.43. 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 from the national budget. As an EU programme, IPARD sets the framework for eligible support, identifying 13 measures aligned to the EU'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. This represents a significant increase in the number of types of measures included under the Albanian programme under IPARD-III, as IPARD-II only provided support in four areas.

3.44. During 2016-22, exports of agriculture products have increased, especially the exports of edible vegetables and certain roots; edible fruit and nuts; fish and crustaceans, molluscs; preparation of meat of fish or of crustaceans; oil seeds and oleaginous fruits; preparation of cereals, flour, starch or milk and preparation of vegetables, fruit nuts. The export-import ratio of agriculture products in 2016 was 3.96 while in 2022 was 2.89, improving by 1.04.

3.45. Regarding irrigation and drainage Infrastructure, according to the programme of the Ministry of Agriculture and Rural Development (MARD) named "Management of irrigation and drainage infrastructure", financed by State Budget, during the period 2016-22, for the operation & maintenance and rehabilitation & modernization of the existing irrigation and drainage infrastructure, are invested and spent about EUR 210 million, to support farmers. The decentralized for irrigation and drainage functions to municipalities and the restructuring of Regional Drainage Boards has been the major changes in the field of water management.

3.46. Current policies regarding the fishing sector are focused on defining rules and implementing measures for fishing management, protection of living resources of the marine and inland waters and limiting the environmental impact of fishing activity. These include (but are not limited to) the setting of fishing quotas, fleet capacity management, market and aquaculture regulations, and support for small-scale fisheries and coastal communities. The perspective for the sustainable development of the fisheries sector in Albania is its development considering it an important component of the blue economy and integrating it with its other components. The development of new markets, technologies and products by facilitating investments and supporting the transfer and acquisition of research and innovation in the framework of the protection of living resources of the marine and inland waters, will create jobs and at the same time improve development in socio-economic and cultural level as well as the environmental impact of this activity so important for coastal communities. During the year 2022, for the first time, budget funds have been provided for the implementation of supporting measures for the fisheries sector such as support measures for the purchase of professional commercial fishing vessels, replacing existing fishing vessels with gross tonnage and engine power less than or equal to the existing fishing vessel, for the renewal of fishing vessel infrastructure and subsidizing diesel fuel for fishing vessels as a result of the specific situation created by the war in Ukraine.

3.2.2 Trade in services

3.47. International trade in services has recorded a positive balance or surplus for three consecutive years (2016-19). A decrease was noted in 2020 due to the pandemic situation of COVID-19. Exports of services represent approximately 20% of GDP, whereas the average share of imports of services to GDP in the period 2016-22 was close to 12%. In 2017, on the exports side, Manufacturing services on physical inputs owned by others made up about 12% of total export receipts, travel services around 60%, transport services 8% and other services around 21%. On the imports side, travel services accounted for about 73% of expenditures, transport services for 11% and other services for 16% of total services imports. Around half of the non-residents travelling to Albania came from Greece; and the remaining part are visitors from other countries such as Italy, Kosovo, North Macedonia, Germany, Montenegro, etc.

3.48. Main destinations for residents travelling abroad are Italy, Greece and Kosovo. On the inflows side, the data indicate a higher number of travellers, a shorter duration of stay and lower average daily expenditures compared to the indicators calculated for travel expenditures abroad.

3.2.2.1 Financial sector

3.49. During the period 2016-22 the financial assets have remained primarily dominated by banking activity, almost unchangeable at 91%. At end of 2022, the rest of the financial assets are allocated at non-bank financial institutions by 3.9%, at insurance companies by 2.1%, at investment funds by 2%, at loan and saving associations by 0.7% and at private pension funds by 0.3%. During the six years period the total financial system activity grew by more than 33%. However, its composition landscape has changed considerably. Due to consolidation occurrences the number of banks fell at 11 from 16 in 2016. On the contrary, the number of non-bank financial institutions expanded at 38 by 2022 from 28 in 2016. An increase in the number of investment funds have been also observed during the reference period while the other mentioned institutions have not been affected from such changes.

3.50. At the end of 2022, the remaining structure of the financial system is represented by 12 insurance companies and 1 reinsurance company, 6 management companies, of which 4 are management companies that administer voluntary pension funds and collective investment undertakings and 2 are management companies that administer only collective investment

undertakings, 4 voluntary pension funds, 11 open ended publicly offered, 2 alternative investment funds.

3.2.2.2 Banking

3.51. A stable financial system is important for safeguarding macroeconomic stability, for ensuring the transmission of the monetary policy and for deepening the financial intermediation. Bank of Albania designs macro prudential policy for the entire financial system, with the objective of promoting the financial system stability and its contribution to economic growth.

3.52. The financial system in Albania is concentrated and dominated by the banking sector. There are 11 banks in the country, 6 of which are foreign-owned banks whereas 2 of them are part of large European groups. Five of the banks are owned by domestic capital, which has been a strong trend during the reference period that can also be observed with the increase of their assets share from 17.4% in 2016 to 33.8% by the end of 2022. There are four major banks in the Albanian banking sector, with foreign capital from Türkiye, Austria, Italy and domestic capital. These banks represent 68% of the total banking sector's assets and deposits and 57% of lending activity.

3.53. Financial intermediation in Albania, estimated as the ratio of financial system assets to GDP, was 97% in 2022. Banking sector assets in a 6-year time period (2016-22) increased on average by 5.6%. Lending activity increased by 3.2% on average annually whereas the largest drawbacks were related to the repercussions of the pandemic and the macroeconomic imbalances related to the war in Ukraine.

3.54. This positive trend mainly reflects the increase consolidation processes in banks, the increasing share of domestic banks and the relatively stable economic growth. Several measures undertaken by Bank of Albania, in cooperation with the government, for the reduction of the non-performing loans have reduced such burden on banks and created a steadier environment for economic intermediation. Additionally, there were drastic interventions during the pandemic that provided banks with ample space to restructure their loans and a special initiative, called the Tirana Approach, aided in improving banks bank's asset quality. As a result, the ratio of non-performing loans was recorded at 5% on December 2022 from the double-digit figure of 18.2% in 2016.

3.55. The banking activity continued to be fundamentally financed by deposits, which accounted for about 81% of total assets. The loan-to-deposit ratio is around 47%. The deposits volume increased on average by 6.2% in the last six five years, driven mainly by foreign currency deposits. The foreign currency deposit increased at a higher margin of 5.6% on average annually versus the increase 4.7% of domestic currency ones. Dependence of the banking sector on external sources of funding is very limited. The banking sector's net position to non-residents remained considerably on the crediting side. The liquidity position of the banking system remained strong. The banking sector exposure to liquidity risk was low. Liquidity ratios (liquid assets to short-term liabilities), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), both in ALL and in foreign currency, are above the minimum regulatory requirements.

3.2.2.3 Non-banking

3.56. Currently, in the Albanian insurance market operate 12 insurance companies, of which 8 non-life insurance companies, 4 life insurance companies and one undertaking licensed to carry out reinsurance activity. The insurance market since 2016 has continued to expand showing an increasing trend in GWP from 2016 to 2022, the insurance market experienced an average increase of around 8% in terms of gross written premiums, without considering the effect of the COVID-19 in the year 2020. Historically, the market has been oriented towards the non-life insurance. The main regulatory development for the sector during the period under review was the adoption of the new Law "On compulsory insurance in the transport sector" approved by the 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.

3.57. The basic law regulating the voluntary pension funds' market, is the Law No. 10197, dated 10 December 2009 "On voluntary pension funds", which has been in effect since 2009. AFSA has drafted a new law on "Private Pension Funds" in order to comply with Directive (EU) 2016/2341 of

the European Parliament and of the Council dated December 2016 "On the activities and supervision of occupational pension institutions (IORP II)". It is expected to be approved in the Albanian Parliament during 2023. At the end of 2022, in this market operated four management companies, four voluntary pension funds and 3 banks as depositories of these pension funds. Data analysis of the voluntary private pension market as of 31 December 2022 shows a total of net assets of ALL 5.7 billion (about EUR 50 million). The number of members in this market operating at the end of December 2022 was 36,518 members.

3.58. The investment funds industry in Albania started in the beginning of the year 2012 and during these years, the investment funds' market, has become the second largest market in terms of assets after the banking sector. During 2020 a new Law "On collective investment undertakings (CIU)" came into effect and pursuant to this Law the regulatory framework was approved by AFSA. At the end of 2021 the net asset value CIU market reached about ALL 81.9 billion (about EUR 678 million). During 2022, this market has been affected by the uncertainties in the international financial markets and consequently with the reaction from central banks everywhere in the world, including the Bank of Albania, with an increase in the base rate of interest and increased yields in government debt instruments. At the end of 2022, in this market has been operational 11 open ended publicly offered investment funds and two alternative investment funds. The net asset value at the end of 2022 reached about ALL 46.05 billion (about EUR 403 million) showing a decrease of 43.76%, compared to the end of 2021, impacted mainly by the decrease of net assets of open ended publicly offered investment funds, whereas the total of net assets of alternative investment funds has increased with 9.21% compared to the end of 2021.

3.59. Albania's capital market is at an early stage of development. The market is mainly dominated by the government securities market and an increasing volume of privately placed bonds. The outstanding volume of bonds issued through private placement at the end of 2022 was about EUR 123 million an increase of about 48.5% in comparison to the end of 2021. In April 2023 AFSA approved the first prospectus of bonds issued through public offering by a microfinance institution. These bonds are currently admitted to trading on the Albanian Securities Exchange. A new Law No. 62/2020 "On Capital Markets" entered in force on 01/09/2020, which is aligned at a large extent with MiFID II. The regulatory framework based on the new capital market law has been completed. At the end of 2022 in the Albanian securities operate 13 entities that provide investment services (mainly banks), of which 10 banks serve also as custodian banks for the safekeeping of financial instruments on behalf of clients. Albanian Securities Exchange (ALSE), established with private capital was licensed in 2017 and since 2018 operational. Until 2022 only government securities were traded on the Albanian Securities Exchange. The trading volume since the beginning of the Exchange operations in February 2018 until December 2022 is about EUR 31.9 million. The market infrastructure in support of further market development is already operational. A policy document on capital market development, prepared by AFSA in collaboration with Ministry of Finance and Economy has been approved in April 2023 by the Council of Ministers.

3.2.2.3.1 Electronic communication

3.60. The electronic communication sector in the Republic of Albania is regulated by Law No. 9918, dated 19/05/2008 which as amended by Law No. 92/2019, dated 18/12/2019. The Law No. 9918/2008, as amended, is based on EU approach of the relevant period and has foreseen the access and interconnections regulation. Further improvement (transposition and full alignment with EECC) is expected with adoption of new electronic communication law to be approved within 2023. The authority of Electronic and Postal communication in line with the objective of the Law "On electronic communications in the Republic of Albania" takes into consideration regulation and best practices of EU member States and BEREC, considering national circumstances.

3.61. In 2016, it has been approved a new regulation of AKEP which replaced former AKEP regulation of 2010, introducing more clear rules and several operational changes to number portability. During 2022, 44,243 mobile numbers and 911 fixed numbers were ported.

3.62. During the period under review, the telecommunication sector in Albania has significantly developed. A national masterplan was adopted in June 2020 for the sustainable development of digital infrastructure for broadband. Fixed broadband users has experienced significant growth in Albania during the period under review also, in the mobile market there has been significant increase especially in coverage of LTE (3G and 4G+) networks up to 99% of the population. Subscriptions of

mobile broadband grew by a third from 60 to 84 per 100 inhabitants during the period while the total number of Internet subscriptions (fixed and mobile) passed the threshold of 100% in 2022.

3.63. On 24 December 2020, it was approved a new National Frequency Plan. This frequency plan is based on international best practices. The most important frequency bands for 5G cellular networks are included in this plan. A Regional Roaming Agreement (RRA) "On the price reduction of the roaming services in Public Mobile communication Networks in the Western Balkans Region" was signed on 4 April 2019. Regional Roaming Agreement started implementation from 1 July 2019. RLAH was in place in the Western Balkans from 1 July 2021.

3.2.2.3.2 Postal service

3.64. The postal sector is regulated by Law No. 46/2015 "On postal services" which transposes the EU Directive 2002/59/EC on postal services, as amended. The implementing sublegal acts are also adopted. The postal market is liberalised and since January 2017, the reserved area was abolished. The Decision of Council of Ministers No. 207, dated 6/4/2022 approved the policy document of postal services in the Republic of Albania, 2021 and following, and set concrete and operational objectives for all stakeholders, in view of developing and improving the postal sector in line with the EU acquis and in particular for accommodating technological innovations and prompting e-commerce. A sub legal act on cross border parcel delivery was also approved by Instruction of Minister of Infrastructure and Energy No. 5 of 25/6/2021 "On the approval of the regulation on cross border parcel delivery services" aligned with EU Regulation 2018/644. In June 2023, there were 31 postal services operators licensed/authorized by AKEP.

3.2.3 Trade policy coordination and monitoring

3.65. As previously reported, since 2016, Albania has established the National Committee for Trade Policy Coordination. The Committee is functional and meets 3-4 times a year. The Committee functions based on the internal regulation "On functioning of the Inter-Institutional Group for Coordination of Trade Policy and Trade Facilitation", approved by the Minister of Finance and Economy. The first Action Plan on Trade facilitation, 2017 – 2020 approved by the Committee has been mostly completed and actually, it is under implementation the Action Plan, 2021 – 2023.

3.66. The new Order of the Prime Minister No. 104 dated 07/08/2020 "On the establishment of the inter-institutional group for the coordination of trade policy and trade facilitation" expanded the scope of the tasks of this Committee, by including areas of trade in services in its mandate.

4 TRADE POLICY OBJECTIVES AND DEVELOPMENT

4.1 Participation in WTO negotiations

4.1. Since the last Trade Policy Review in 2016, Albania has submitted in total 142 notifications to WTO Secretariat. Regarding notifications on agriculture on domestic support for several years, Albania has asked the technical assistance of WTO Secretariat on preparation of these notifications. In May 2023, the WTO Secretariat hold to Albanian representatives an introduction to TRIPS transparency mechanisms, to the e-TRIPS Submission System in order to go to online notifications regarding TRIPS.

4.2. Albania has cosponsored different WTO initiatives such as: MSMEs, Structured Discussions on Investment for Development, on Electronic commerce, Trade and Health, Trade and Sustainable Environment, Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade, and on Service Domestic Regulation.

4.3. With the approval of the Law No. 7/2016 "For the acceptance of the Protocol amending the Marrakesh Agreement establishing the World Trade Organization" Albania acceded at the Agreement on Trade Facilitation. Albania deposited the instrument of acceptance at 10 May 2016 and has done all the notifications coming from this agreement. Based on the Law No. 30/2018 "For admission of Schedule CXLVI of extending the list of the technology agreement of information, within the framework of the World Trade Organization" Albania accepted the schedule CXLVI of the extension of the list of information technology agreement, within the World Trade Organization. The implementation of Schedule CXLVI was done through the Law No. 128/2016 "On some amendments

to Law No. 9981, dated 8/9/2008, 'On the approval of the levels of customs duties', as amended", the fees of list CXLVI of the expansion of the list of the technology agreement of information. WTO Joint Statement Initiative on Service Domestic Regulation was approved by the Albanian parliament with Law No. 91/2022, dated 22/12/2022. WTO Agreement on Subsidies in Fishing was ratified by Parliament and the Law No. 42/2023 has been published at the Official Gazette dated 5 July 2023. Albania will send soon the acceptance document to WTO Secretariat.

4.4. With regard to the accession to GPA, In September 2022, a Negotiating Group for the Accession to the WTO GPA was established by the Order of Prime Minister headed by the Public Procurement Agency. In October 2022, Albania submitted at the Secretary of the WTO Committee on Public Procurement (CGP), upon to their request, an update the Committee, on Albanian domestic developments that affect the commitment to accede to the WTO Agreement on Public Procurement (GPA). Albania took part at the meeting of WTO Committee of GPA of 7 June 2023 and reported on the recent developments. Albania submitted the Checklist at WTO Secretariat, in 27 July 2023.

4.2 Albania's accession process to the European Union

4.5. Accession to the European Union (EU) continuous to be one of the strategic objectives of the Albanian Government. This aim can be achieved only through the full implementation of the Stabilization and Association Agreement (SAA) and the fulfilment of the Copenhagen requirements, as preconditions for accession to the EU. The SAA was signed in 2006 and entered into force on 1 April 2009 marking an important moment towards the EU Integration process. Since 2006, the Government of Albania approves a special Plan for the implementation of the SAA. The National Plan for European Integration, a three-year rolling plan, is the planning instrument for the approximation of the Albanian legislation with the EU acquis. It includes all the strategic documents related to EU accession process and the planned Albanian acts that aim to approximate the EU acquis. The National Plan for European Integration 2023 – 2025 was approved with the Decision of Council of Ministers on 01/03/2023 "On the approval of the National Plan for European Integration 2023 – 2025".

4.6. The Albanian Government started the EU accession negotiations with the European Union on the 19th of July 2022, at the first EU - Albania intergovernmental conference. The screening process was officially launched on the same day, and on 15 September 2022. The screening based on the six clusters of the new methodology of accession negotiations will be finalized by November 2023. Based on the European Commission Calendar the screening process will be concluded within November 2023. Till July 2023, Albania has finalized the screening of the first cluster "Fundamentals", second cluster "Internal Market" and third cluster "Competitiveness and Inclusive Growth". The explanatory and bilateral meetings were held with high motivation and strict schedule; clear plans for future approximation of the acquis were given and Albania has committed itself to fulfil all the obligations for EU integration.

4.3 Regional integration

4.7. CEFTA agreement of 2006 and its implementation is a very important one for Albania to increase the trade potentials in the region. Since the last Trade Policy Review, significant amendments are done at CEFTA Agreement. In response to the need for further deepening of trade integration in the region, CEFTA parties concluded the negotiations on Additional Protocol 5, which Albania ratified with the Law No. 18/2018 "On the ratification of Additional Protocol 5 of the Agreement on the Amendment and Accession to the Central European Free Trade Agreement". At CEFTA level, this protocol entered into force on 18 April 2018. In order to further deepening trade integration in the region, CEFTA parties concluded the Additional Protocol 6 that aims at further liberalization of trade in services, which Albania ratified with the Law No. 46/2020 "For the ratification of Additional Protocol 6 of the Agreement on the Amendment and Access to the Central European Free Trade Agreement". At CEFTA level, the protocol entered into force on 11 January 2011. This protocol is based on the main provisions of the General Agreement on Trade in Services in the World Trade Organization (WTO) and comes as a result of the commitment to further liberalization of the sectors where commitment has been made. Currently, Albania is engaged in the negotiations of the dispute settlement mechanism named Additional Protocol 7, within CEFTA.

4.8. On 10 November 2020, at the Sofia Summit, leaders of the six Western Balkan countries endorsed the Action Plan for the establishment of the Common Regional Market (CRM AP 2021-24). Part of the measures for implementation of AP5, AP6 and AP7 are included at the Action Plan 2021-2024 for Common Regional Market. This Plan will bring tangible and concrete results to the benefit of citizens and companies from the region.

4.9. Since 2016, Albania and Kosovo have signed different agreements such as the on-work mobility, intellectual property, investment cooperation, customs procedures. On September 2022, the agreement between Albania and Kosovo on the implementation of mutual/reciprocal facilities in customs procedures and/or goods entry-exit control entered into force.

4.10. Albania continues to implement the Free Trade Agreement with the EU, the EFTA countries, CEFTA as well as with Türkiye.