



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. Trade is an important contributor to the economic growth of Albania. Since the First Trade Policy Review in 2010 progress can be reported in all aspects of trade policy. Albanian trade policy is inspired by WTO principles and rules and follows the dynamics in WTO structures. The trade policy objectives are motivated by the national economic needs and private sector development, while fully complying with international obligations and WTO trade law. Albanian Government is very committed to facilitate trade in order to maximize the benefits deriving from the tariff liberalization. WTO Trade Facilitation Agreement is ratified by the Albanian Parliament and preparations for public awareness and capacity building to allow smooth implementation are in progress. In addition, Albania is actively participating in the negotiations to facilitate trade within CEFTA.

1.2. Albania has free trade agreements with European Union, Western Balkan (CEFTA 2006), EFTA States and Turkey. These agreements have contributed to the diversification of export potentials, providing new opportunities to specialize and benefit from the comparative advantage in specific products.

1.3. The trade data indicate growth since the First Trade Policy Review of Albania in 2010. This growth is attributed to the liberal trade regime and well-functioning of the free trade agreements. WTO membership preserved a stable trade regime for Albania contributing to a positive trend of foreign trade. Export of goods increased during 2010-2015, except 2015 that had a decrease. Import of goods has been fluctuating through the whole period of 2010-2015, reflecting the instability in our main trading partners Italy and Greece. The performance of export during 2010-2015 has contributed in shrinking the trade deficit by 4.8% in 2015 compared to 2010.

1.4. Albanian's economy is moderately free as assessed by Heritage Foundation in the Economic Freedom Report 2016. Albania's overall ranking for 2016 (65.9 points) is above the global average and compared with the other Western Balkans countries, it is ranked as the second freer economy. Trade freedom ranking (87.6 points) is above the world average, reconfirming the liberal trade environment in Albania. Trade and investments policies are improved significantly and recorded in the 2016 report.

1.5. The economic activity in Albania has continued to grow in the first three quarters of 2015. The latest short-term indicators signal on-going moderate growth in GDP in the near term. Real GDP increased by 2.7% in the first three quarters of 2015, supported mainly by improved activity in the construction and industrial sectors. The expected growth for 2015 is 2.75% with the objective to go over 4% in 2017-2018. Standard & Poor's Ratings Services raised its outlook for Albania from stable to positive, reconfirming the positive trends of the reforms implemented during the last years. The assessment of Standard & Poor highlights that the Government of Albania is moving forward with ambitious plans to shrink the country's deficit and reform the legal system, paving the road for the sustainable growth and good governance.

1.6. Albania is undertaking many structural reforms to boost economic growth and increase competitiveness. The administrative and territorial reform and the justice system reform are among the most radical reforms undertaken during the reporting period. In addition, the battle against informality, started from September 2015, coupled with sound and prudential fiscal policy and safeguarding macroeconomic measures are fuelling the economic activity growth. The reforms undertaken by the Government of Albania are recognised by international partners of Albania as crucial and the right approach to take.

1.7. On 24 June 2014 the Council of the European Union agreed to grant Albania the *candidate status* recommending further development of reforms to open negotiations. Free Trade Agreements are implemented smoothly supporting the diversification of Albanian export.

2 ECONOMIC ENVIRONMENT

2.1 Macroeconomic stability

2.1. Before the global financial crisis, Albania was one of the fastest-growing economies in Europe, enjoying average annual real growth rates of 6%, accompanied by rapid reductions in poverty. After 2008 average growth halved and macroeconomic imbalances in the public and external sectors emerged. The country's growth suffered from the Eurozone crisis, in particular in neighbouring Italy and Greece. Exports, remittances, and to some extent foreign direct investment (FDI) fell and were the main channels of the external shocks on the economy. Growth reached its lowest rate of 1.4% in 2013, as consumption shrank, investments stagnated, and fiscal and financial vulnerabilities came to the fore. The increase in domestic demand supported by sound fiscal policies and structural reforms contributed to an increase up to 2.1% in 2014, due also to an increase in consumption and private investments.

2.2. The economic activity in Albania has continued to grow in 2015. Real GDP increased by 2.7% in the first three quarters of 2015, supported mainly by improved activity in the construction and industrial sectors. The expected growth for 2015 is 2.75%. Growth in 2015 was held back by the fall in the agricultural production, which was damaged by the flooding in the beginning of the year. Construction activity has been boosted by higher public spending in infrastructure, improved liquidity due to arrears repayments and increased number of construction permits issued. On the other hand, industrial production growth slowed down mainly on the back of falling oil prices in the international markets. The services sector continued to grow, but at a slower pace in reflection of the weak consumer demand.

2.3. Economic growth was supported by increased investments and improvement of the external trade position whilst private and government consumption has been falling. Investments have been a driver of the growth, benefitting from higher foreign direct investments, higher public spending and improved liquidity conditions of the businesses due to arrears repayments. The investment activity was supported by construction investments and investments in machinery and equipment. Net exports deficit narrowed driven by the fall in imports of goods and services. This component gave a positive contribution to growth.

2.4. During November 2015, the total stock of bank loans recorded an increase of 2.2% compared with November 2014. The stock of loans in domestic currency increased by 2.7%, while the stock in foreign currency decreased by 5.7%. The low demand for loans continues to reflect the limited investment needs against the backdrop of spare production capacity and reluctance to take risk. The growth of non-performing loans is slowed, while the implementation of the National Plan to reduce non-performing loans will help reduce credit risk. In terms of deposits, in November of 2015 the total stock of bank deposits grew by 1.6% compared to November 2014.

2.5. The current deficit showed a narrowing trend in the first half of 2015. The widening of domestic savings, mostly private, was the main contributor to the correction of the current deficit. The registered deficit contracted by 30.5% year on year and it was valued at around 8.5% as a ratio to nominal GDP. In a sub-account disaggregation, the primary contribution to the contraction of the current account deficit was given by a lower net exports deficit and a higher surplus in the secondary income account. Net flows of the capital account reached €47.3 million this year, edging up from €2.4 million in the first half of last year. In the financial account, the net position registered an annual decrease in assets by 19%. The net flows in the capital and financial accounts combined, financed fully the registered current account deficit. Net foreign direct investments edged up by around 35% annually, due to intensified investment in the mining and oil industries.

2.1.1 Monetary policy and inflation

2.6. As defined in the Monetary Policy Document (2015), the Bank of Albania (BoA) aims to achieve an average CPI inflation of 3% over the medium term. The monetary policy decision-making process will be guided by the deviation of forecasted inflation from this objective, while striving to avoid excessive volatility in the real and financial sector. The exchange rate remains fully flexible and determined entirely by market forces. The BoA relies on indirect instruments to steer financial market interest rates and conducts its monetary policy through open market operations. This regime complements our price stability objective and supports our operational

framework for monetary policy. The BoA's primary tool for implementing monetary policy is the seven-day maturity reverse repurchase agreement ("reverse repo"), which also serves as its main open market operation. The BoA provides liquidity in the financial markets through reverse repos of one week to three months maturities.

2.7. Between 2010 and 2015, the average CPI inflation rate in Albania was 2.4%. Inflation has remained below the inflation target since 2012. The annual dynamics of the inflation rate have been volatile reflecting the sensitivity of the Albanian economy to foreign shocks, the volatility of food prices (which represent 39% of the CPI basket) and administered prices. The depreciation of the domestic currency in 2009, along with a new cycle of increases in administered prices and commodities prices in the international market, resulted in rising inflation during 2010 (3.6%) and 2011 (3.5%). Since 2012, inflation has been on the declining trend mainly due the widening of the negative output gap and more recently to the disinflationary pressures from abroad. Economic growth was 2.3% on average for the period under review, almost a third of the rate of growth prior to the financial crisis. Weak domestic demand was the driver behind the cyclical weakness of the economy amidst unfavourable external environment. The labour market was weak with employment falling by 1.4% on average and unemployment rate increasing to 16.3%. Annual inflation averaged to 1.6% in 2014 but it rose to 2% in 2015. On the other hand, oil prices declined while the other prices remain broadly unchanged.

2.8. Since 2011, the BoA has pursued an accommodative monetary policy, reducing its policy rate by a total of 350 basis points to address slack in the economy. Moreover, the monetary policy decisions of the BoA were accompanied with persistent liquidity injections and guidance on the future direction of monetary policy. The monetary policy has managed to control liquidity premiums and inflation, helping to reduce interest rates in the interbank market, in the government debt securities market, in the deposit market and in the Lek denominated loan market. The monetary stimulus has been reflected in increased Lek lending to the economy. The share of Lek lending to total lending has increased to 40%. However, the average lending growth remains subdued, at around 2%, due to low demand, as well as banks' risk aversion.

2.1.2 Fiscal policy

2.9. A number of fiscal measures are introduced during 2010-2015, increasing the taxable base, simplifying the procedures and addressing problematic aspects of certain sectors of the economy. The changes in the fiscal policy have positively impacted the business environment and contributed to the economic development of Albania. The main legislative changes during 2010-2015 are part of the fiscal consolidation reform and consist of:

- Introduction of the progressive personal income tax, providing zero tax for low level salaries, reducing the tax for medium level salaries and increasing the tax for high level salaries ("Law 102/2013 and Law 177/2013").
- The corporate income tax increased from 10% to 15% ("Law 177/2013"). The income tax for small business is 7.5% or 50% less than the normal corporate income tax.
- The new law on VAT (Law 92/2014), into force from 1 January 2015, is harmonized with the respective EU acquis and aims to establish unified rules for VAT application. The objective of the law is to ensure fair competition and avoid any distortive practices in VAT application.
- The local tax for small businesses is abolished and some other local taxes are restructured.
- A new law on excise tax is in force from October 2012 and is in line with the respective EU Directive.
- The income tax for small business, having yearly turnover up to lek 5 million is zero from 1 January 2016 and 5% (from 7.5% in force from 1 January 2014) for business having the yearly turnover lek 5-8 million.

2.10. The fiscal policy in the medium term will be strictly oriented toward fiscal consolidation. In line with the current program with the IMF, Albania intends to pursue a steady pace of fiscal consolidation based on a sound strategy of broadening the tax base and strengthening tax

administration and compliance, with the goal of lowering the public debt-to-GDP ratio to below 64% by 2018, from around 72.6% expected for end 2015.

2.11. The fiscal consolidation is complemented with a radical reform against informality. From September 2015, the Government of Albania started the reform against informality aiming to formalize the economy and contribute to fair competition in the market. As a result of the reform, during 2015, 39,650 new businesses are registered, reflecting an increase of 137% compared with 2014. This reform helped also to formalize the employees not registered and therefore, by the end of 2015, 76,429 more employees have been registered compared with the period preceding the start of the reform. This reform will contribute to reduce informality and consolidate fiscal sustainability of Albania, providing as such condition for fair competition and fewer impediments to trade.

2.2 Structural reforms

2.12. Sustainable economic growth and increase of competitiveness has been at core of all reforms undertaken by the Government of Albania during these years. Open markets and liberal trade regimes have put the emphasis on the need to undertake deep structural reforms to boost economic growth, safeguard macroeconomic stability and ensure sustainable development, with the ultimate objective, the increase of welfare and Albanian citizens' quality of life. The main structural reforms undertaken by Government of Albania consist in, among others, reforms in the energy sector, privatizations of state-owned companies, the administrative and territorial reform, and reforms in the tourism sector.

2.2.1 Energy sector reform

2.13. The energy sector has recorded very positive developments. Many important legal and organizational transformations, investments and other structural efforts have been undertaken during the last years, contributing to a significant improvement of the financial situation in the Albanian Energy System, resulting in an increased performance during 2014 and 2015. This performance is reflected in the reduction of losses in the distribution system, increase of the receivables and improvement of the three state-owned companies' liquidity (KESH Sh.A., OST Sh.A. and OSHEE Sh.A.).

2.14. Reforms undertaken in the energy sector encompass: (i) the adoption of the Law 43/2015 "On the Power Sector", in full compliance with European Union directives and the Third Energy Package for gas and electricity markets, (ii) the successful conclusion of negotiations with the Czech company, approved in Parliament on 30 July 2014, resolving the status of the Electricity Distribution Operator and the return of all shares in state-owned, (iii) the tariff reform in the power sector aiming to correct the distortions in energy market, (iv) the signing of the financial agreement (soft loan amounting to USD 150 million) with World Bank, for the three state-owned companies of the power sector, to facilitate the "Power Sector Recovery" project implementation, (v) the adoption of Law No. 102/2015 "On natural gas sector", fully aligned with Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, as well as in accordance with Directive 2004/67/EC, (vi) and the adoption of Law No. 19/2015 amending Law No. 7746, dated 28 July 1993 "On Hydrocarbons (exploration and production)".

2.2.2 Administrative-Territorial reform

2.15. The Administrative-Territorial Reform approved in 2015 has a key role in the creation of a suitable and supportive climate for the economic environment of Albanian cities and regions. The new territorial organisation consists in 61 municipalities. The Administrative-Territorial Reform will empower local and regional governments, in order to enhance their capability to provide high quality and timely services to citizens and increase their resource management efficiency, by decentralizing more functions and competencies and allocating them additional public funds. The 61 new municipalities will have more opportunities to take part in international cooperation projects, absorb more donor funds and enjoy larger bargaining power *vis-à-vis* the central government, as well as a greater scope for inter-municipal cooperation.

2.16. The Administrative-Territorial Reform will lead to enhance good governance at the local and regional level; efficient service delivery and effective collection of tariffs and fees by local governments; greater ability to promote and encourage sustainable local economic development.

2.2.3 Privatisations

2.17. Since 2010, there have been several amendments to the legal framework on privatizations, which have paved the way for the privatization of the state-owned insurance company INSIG Sh.A.. The privatisation process for INSIG ShA has not been completed yet and the privatisation procedures are expected to be finalised in the first semester of 2016. The privatization of 100% of the state-owned shares of the oil company Albpetrol Sh.A failed in 2012, because the winning Consortium failed to meet the legal contractual obligations. Currently, Albpetrol Sh.A is under restructuring process.

2.18. During 2013, 100% of the state-owned shares in two companies in the strategic sector operating respectively one and two hydropower plants ("HEC Ulez-Shkopet Sh.A." and "HEC Bistrica 1 dhe Bistrica 2 Sh.A.") were privatized. Furthermore, some assets and state-owned shares in some companies in the non-strategic sectors were privatized during 2010-2015. The total revenues of the state from privatisations since 2010 amount to a value of USD 187.1 million, 80% from privatisation of companies in the strategic sectors and 20% from privatisation of state-owned shares in small and medium enterprises and other assets.

2.2.4 Justice system reform

2.19. The justice system reform is a priority for the Government of Albania, stemming from the needs to strengthen the rule of law, respond to the economic and business needs and comply with European integration requirements. During 2015, the activity of Ministry of Justice was focused on the justice system reform development. The special parliamentary committee for the Justice System Reform started working with an analytical document of the justice system in Albania. A High Level Experts Group, assisted by the Technical Secretariat, drafted the Justice Reform Strategy and its Action Plan, thus completing the second phase of the functioning of the Special Parliamentary Committee for the Justice System Reform. Based on the issues and concerns identified in the Analysis, the Strategy defines the general and specific objectives of the justice system reform and the necessary legal and constitutional interventions for the attainment of these objectives. The Justice Reform Strategy and its Action Plan have been approved in principle by decision No. 15 dated 30 July 2015 of the Special Parliamentary Committee for the Justice System Reform and they serve as a roadmap for the third phase, which corresponds to the drafting of a package of legal and constitutional amendments. The Action Plan consists of the detailed list of legal measures to be adopted in 2016. This reform process is being consulted closely with the Venice Commission.

2.2.5 Tourism reform

2.20. Tourism is a key channel through which Albania can achieve sustainable long-term growth while safeguarding the environment. The tourism industry has emerged as a significant contributor to growth with 3.5 million inbound tourists in 2014 and therefore has become a strategic sector for growth and employment. Albania has significant endowments suited to tourism development across the whole country and with the potentials the tourism sector has for growth, a shift from the traditional and regional markets toward the EU and other high-income countries is required.

2.21. A new strategy on tourism is in the approval process. In addition, a new law No. 93/2015 on Tourism was approved on 27 July 2015. The law defines clear rules of operation and national standards for all tourism activities in order to encourage and promote competitiveness in the sector, increase the quality of tourism services and consumer protection. Implementation of the law will be accompanied by the drafting of the relevant bylaws package during the first quarter of 2016.

2.3 Private sector development

2.22. Business and Investment Development strategy 2014-2020, adopted in October 2014, sets the priority policies in the area of private sector development and ease of doing business. A

simple, transparent and predictable regime for private sector development is in place, aiming to create favourable conditions for investors, contribute to the increase of competitiveness and ensure solid economic growth.

2.3.1 Doing Business reform

2.23. Ease of Doing Business and elimination of unnecessary procedural requirements outlines the main reform measures undertaken by the Government of Albania during the last years. After the stagnation in the ease of Doing Business (World Bank Doing Business Reports 2010-2013), the Government of Albania showed commitment and dedication to this agenda and reached for the first time in 2014 the best ranking, 68th place, in the WB Doing Business Report 2015. By virtue of the Prime Minister's Order No. 30 of 30 January 2014, an Inter-institutional high level Working Group, chaired by the Minister of Economic Development, Tourism, Trade and Entrepreneurship was established to implement the reforms and constantly monitor the results. The National Action Plan for the ease of doing business was approved by virtue of Decision of the Council of Ministers (DCM) No. 591 of 10 September 2014. WB Doing Business report 2016 ranked Albania at the 97th place out of 189 economies, having deterioration in the ranking mainly due to the temporary negative impact of the administrative and territorial reform and the new platform for construction permits, taking the control over the territory to impede illegal construction to emerge further. Many efforts are invested in many areas such as starting a business, paying taxes, property registration, energy reform, legal reform, and access to finance, reforms that will impact positively the ranking in the upcoming WB report 2017. A new Action Plan 2016-2019 to improve business environment and consolidate results already achieved is in progress. The new Action Plan will be finalised within the first quarter of 2016 and monitored regularly.

2.24. Four important laws covering economic zones, strategic investment, concessions and PPPs and tourism were approved during 2015, providing a new momentum and philosophy in attracting new investment.

2.3.2 Strategic investments

2.25. Law No. 55/2015, dated 28 May 2015 "On strategic investments in the Republic of Albania" ("Law 55/2015") lays down the rules and procedures to be implemented by the government bodies during the examination of strategic investments and the support/ services provided to strategic national and/ or foreign investors. Law 55/2015 defines as strategic sectors the following: energy and mining, transport, infrastructure, electronic communications and urban waste, tourism, agriculture and fisheries, technology and economic development zones, high priority development zones. It stipulates for each strategic sector, the minimum investment capital required in order to be recognised as a strategic investment. It establishes the Strategic Investment Committee, chaired by the Prime Minister, responsible for monitoring the "single window" for services to strategic investors, the performance of strategic investments, approves the support measures for a strategic investment and the projects considered as "potentially strategic investments". The Albanian Investment Development Agency (AIDA) will serve as the single window for strategic investors and provide technical support to the Strategic Investment Committee. The new law aims at providing fast track procedures, land consolidation, supporting programs for strategic investors, assistive infrastructure and use of public assets for strategic investment project execution.

2.3.3 Technology and economic development zones

2.26. Law No. 54/2015, dated 28 May 2015 "On some amendments and addenda to Law No. 9789, dated 19 July 2007 "On the creation and functioning of economic zones" provides that "technology and economic development zones" will substitute the "economic zones", "free zones" and "industrial parks". The "technology and economic development zone" is a separate territory, a defined piece of land or buildings and other immovable facilities, developed according to a general plan and equipped with the necessary infrastructure for the production, industrial development, trade and services. With regard to the fiscal regime, the technology and economic development zones are considered as separate from the custom territory of the Republic of Albania. The developer and the operator in a technology and economic development zone pays only 50% of company tax for the first 5 years. Albanian goods are supplied to the zone as VAT free. The developer and operators are excluded from the property tax for the first 5 years of their activity. The expenses for wages and social and health insurance contributions are recognised at 150% of

their value for the first year of the activity. The costs of trainings and R&D are calculated as deductible expenses at double of their value for the first ten years of activity.

2.3.4 Business registration and licensing

2.27. Business registration and business licensing are offered through one-stop shop, respectively the National Registration Centre (NRC) and the National Licensing Centre (NLC). The services offered through both centres improved considerably the market entry for SME's. The online registration is fully operational from the first quarter of 2015 and the testing of e-licensing for some category of licences is ongoing. The National Business Centre (NBC), as a merger between NRC and NLC was established by Law No. 131, dated 26 November 2015, providing a one-stop shop for business registration and licensing. NBC will be fully operational within the first quarter of 2016 and provides many services to business, among others unified application for registration and licencing throughout the country, unified advisory services, reduced formalities and fees for the services, full application of e-registration and phased application of e-licencing within 2016.

2.28. Aiming at simplifying administrative procedures for businesses, the Government of Albania has started a radical reform of deregulation. The review of authorisations issued by central institutions was finalized in 2015 and recommendations were provided for five main areas (agriculture and food, health, industry and energy, finance and customs). After consecutive consultations, the legal changes are expected to be implemented during the first half of 2016. The expected results are the elimination of up to 10 authorisations and streamline other 20. In addition, the review of all licences and permits issued by central institutions will start shortly with the objective to eliminate all unnecessary licences and permits.

2.3.5 Public-private dialogue

2.29. The Government of Albania considers the consultation with the private sector as a precondition for better policies and a reflection of the country's economic needs and business requests. Any legislative change is consulted in advance, with 60 days mandatory time limits for consultations. In addition, online consultations are held and new laws and regulations are regularly published in the official websites of the proponent ministries.

2.30. The National Economic Council, chaired by the Prime Minister, was established by Law No. 57/2014, dated 5 June 2014 "On the setting up and functioning of the National Economic Council". This council serves as a single advice/consultative structure and forum to consultation new reforms and policies. The meetings of the Council are regularly attended by the Minister responsible for economy (acting also as vice-chairman), the minister responsible for finance, the Governor of the Bank of Albania, national and foreign owned companies, business organisations, financial organisations and academia, as well as other entities that may be invited to attend on case-by-case basis. The Secretariat of the Council is headed by the private sector and is responsible to prepare the meetings and follow up the implementation of the initiatives and policies presented.

2.31. With a particular focus on investors, the Investment Council, established by the DCM No. 294, dated 8 April 2015, with the support of EBRD, aims to intensify the dialogue between the government and the private sector, improve the business climate and promote good governance. The Investment Council was launched in April 2015 and has already held 4 meetings during 2015. The Investment Council is mainly focused on investor needs to address sectorial concerns or impediments deriving from the sectorial administrative procedures.

3 TRADE POLICY DEVELOPMENTS

3.1 Trade Data

3.1. The trade data indicate growth since the First Trade Policy Review of Albania in 2010. This growth is attributed to the liberal trade regime and well-functioning of the free trade agreements. WTO membership preserved a stable trade regime for Albania contributing to a positive trend of foreign trade. Export of goods increased during 2010-2015, except 2015 that had a decrease. Import of goods has been fluctuating through the whole period of 2010-2015, reflecting the instability in our main trading partners Italy and Greece. The performance of export during 2010-2015 has contributed in shrinking the trade deficit by 4.8% in 2015 compared to 2010.

3.2. The most exported products in 2015 are manufactured products with 59.6 %, minerals fuels and lubricants with 18.5 %, crude materials with 9.1 %, etc. During the 2010-2015 the export of food and beverage increased more compared to other products reconfirming the policies and reforms undertaken in the agriculture sector. The share of food and beverages in the total value of exports increased from 4.5% in 2010 to 6.8 % in 2015. Although with less growth, other products, like transport machinery and equipment, chemical products, etc. have improved their position compared to 2010.

3.3. The import of products during 2010-2015 is more diversified. The most imported products in 2015 are manufactured products with 36.7%, transport machinery and equipment with 20.9 %, food, beverage and tobacco with 16.3% and chemical products with 11.8%, etc. The import of machinery and equipment increased more, as share of the total value of import, from 18.7% in 2010 to 20.9 % in 2015, reconfirming new investments and policies to additionally facilitate market entry requirements for new technology and investment.

3.4. During the period of 2010-2015 the export, in absolute terms, to Italy, Greece, Kosovo and Malta increased significantly. Compared to six years ago, a map of Albanian exports has considerably diversified. From 2010, Kosovo is the second most important exporting market for Albania, a place that traditionally was of Greece. Thus, Kosovo represents 8.6% of the total exports of Albania in 2015 compared to 6% in 2010. This is a direct reflection of the liberalization of trade with Kosovo from 2007 and the trade facilitation agreement signed between the two countries from 2014. In addition, although EU remains the main trading partner for Albania, CEFTA countries are becoming more important in export due to the free trade agreement with Western Balkans, in force from 2007.

3.5. During the period of 2010-2015 import suffered from a fluctuating trend. Italy is the leading partner in import, having an increasing up to 2013, decreasing in 2014 and increasing again in 2015. Same patterns of import had China, Turkey, Greece, etc.

3.2 Trade policy making and coordination

3.2.1 Main trade policy advancement

3.6. From the First Trade Policy Review, Albanian Trade Policy has followed a liberal approach in policy making, reducing additionally tariffs while paying attention to trade facilitation. The MFN tariff is amended through many legislative changes. Since 2010, five laws have been approved, reducing the level of MFN for specific goods. Due to continuous tariff reduction, both MFN and the preferential tariffs, the average applied tariff is reduced from 1.76% in 2010 to 1.34% in 2015. The import tariffs applied by Albania are low, with a maximum of 15%; with approximately 49% of all tariff lines having MFN rate at 0% and 18% of all tariff lines having MFN rate at 2%. Some differences between MFN rate and the bound rate for few tariff lines are identified. This difference is 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.

3.7. Albania is signatory of the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) which has been in force since 1 May 2012. Albania has already made linkages of PEM Convention with CEFTA Parties and EU. The linkage with Turkey is in process while with EFTA States haven't started yet. Starting from 1 February 2016, the SAP+ will be applicable among Albania, Serbia, EU and EFTA.

3.8. Albania has fully liberalized its trade in agriculture with Western Balkan countries under the CEFTA 2006 Agreement. Tariff liberalization is balanced with other reforms to facilitate trade and abolish unnecessary and trade distortive measures. 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

3.9. Many developments are made to facilitate trade, with a particular focus on customs procedures. Albanian legislation on AEO is functional. The new Customs Code of the Republic of Albania approved by virtue of Law No. 102/2014, dated 31 July 2014 and its implementing

provisions include the legal provisions for AEO and the simplified export and import procedures, which entered into force on 1 January 2015, partially harmonizing the EU Regulations in this matter. The simplified procedures for clearance at importers' premises are in force in accordance with DCM No. 366, dated 30 April 2015 "On some amendments and additions to the DCM No. 205, dated 13 April 1999 "On implementing provisions of Customs Code". These provisions are aligned with EU Regulation No. 2454/93. In addition, within the CEFTA context, the Strategy on AEO was approved by the CEFTA Joint Committee in 2014. The action plan of controls based on risk management for agriculture products was introduced during 2015. Risk management in customs is fully operational since 2006.

3.10. Procedures of customs valuation of the goods, provided in the Customs Code and its implementing provisions, comply with the requirements of the WTO Agreement (GATT Article 7). In accordance with the Customs Code, customs valuation is done based on six methods, where transaction value leads. The use of transaction value for valuation purposes has increased from 86% in 2011 to 89% in 2015.

3.2.1.2 Sanitary and Phytosanitary Measures

3.11. Since 2010, Albania has adopted several laws, regulations and decisions in the field of veterinary, food safety and plant protection. Thus, Law No. 10465, dated 29 September 2011 "On Veterinary Service in the Republic of Albania", Law No. 9863, dated 28 January 2008 "On Food", as amended and Law No. 9362, dated 24 March 2005 "On Plant Protection Services", as amended are in force. Laws and regulations adopted are either fully or partially approximated with Chapter 12 "Policies of food safety, veterinary and phytosanitary" of the European legislation. Albania has notified in the SPS Committee of WTO all laws and regulations implemented and administered by the Agreement on Sanitary and Phytosanitary Measures.

3.12. Legislation on SPS is implemented by the respective structures under the Ministry of Agriculture, Rural Development and Water Administration, the National Food Authority and the Agriculture Directorates. There are 13 Border Inspection Points under the National Food Authority. The inspection procedures of BIPs are in conformity with the Albanian legislation, which is in the alignment process with the EU acquis.

3.2.1.3 Standardization

3.13. There is a good progress in the area of standardization since 2010. Many legislative changes occurred during 2010-2015, focused on (i) Establishing and functioning of the Managing Board of General Directorate of Standardisation – A managing body composed by stakeholders in this field, (ii) extended responsibilities with regard to telecommunications as published by European Institution for Telecommunication Standards (ETSI), (iii) improving the processes related to public inquiry, adoption, notification and publication of Albanian Standards, etc.

3.14. During the reporting period, Albania has signed several cooperation agreements in the field of standardization with Kosovo, Macedonia, Montenegro, Turkey, Croatia, Bosnia Herzegovina, Russia and Czech Republic.

3.15. The percentage of standard adoption as Albanian standards in respect to their origin is: 98% European (CEN&CENELEC) standards; 60% European (ETSI) standards; 25% International (ISO&IEC) standards; no purely Albanian standards were approved during the reporting period. 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.

3.2.1.4 Technical regulation and accreditation

3.16. During the reporting period, solid progress is noted in the area of technical regulations. 17 technical regulations for 17 groups of products transposing the relevant New & Old Approach directives are approved. In addition, the Market Surveillance Inspectorate was established very recently, by virtue of DCM No. 36, dated 20 January 2016. The Market Surveillance Inspectorate will be responsible for the enforcement of product legislation under remit of MEDTTE, intellectual property rights and tourism legislation.

3.17. In the area of accreditation, the General Directorate of Accreditation (DPA) is the sole accreditation body in Albania. 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".

3.18. In 2014, DPA extended its scope of activity with the accreditation of medical laboratories and personnel certification bodies. In 2015, DPA provided the accreditation to one calibration laboratory. Actually, DPA provides the accreditation services to testing, medical and calibration laboratories, management system, product and personnel certification bodies, inspection bodies. The accreditation is based on harmonized standards, legislation in force and EA, ILAC and IAF document.

3.19. DPA applied in January 2015 for full membership in the European cooperation for Accreditation (EA). After the checking of the technical documentation, in May 2015, DPA became a full member of EA. DPA is associate member of ILAC and accreditation body member in IAF. In 2008, DPA applied for being signatory member of EA-MLA in testing. In 2010, EA has performed the pre-evaluation process, while in February 2015, EA performed the peer evaluation. In October 2015, DPA became signatory member of EA-MLA for testing. It has applied for EA-MLA in certification and inspection in July 2015. DPA has the intention to apply soon for EA-MLA in calibration field.

3.20. A big progress was highlighted relating to number of accredited bodies. In 2010, the number of accredited conformity assessment bodies was 17, while currently, there are 42 accredited bodies (23 testing laboratories, 1 medical laboratory, 1 calibration laboratory, 3 management system certification bodies, 3 personnel certification bodies and 11 inspection bodies).

3.2.1.5 Competition policy

3.21. The Competition Authority is a public institution, independent in the decision-making and exercise of its competences, responsible for the protection of free and effective competition in the market through the monitoring and investigation procedures, in accordance with the provisions of Law No. 9121, dated 28 July 2003 "On Competition Protection" ("Law 9121/2003").

3.22. Law 9121/2003 was amended in 2010 to improve the application in practice of the legal provisions, as well as to further align the Albanian legal framework with the *acquis communautaire* in the field. These legal amendments fully aligned the Albanian legal framework with the Treaty of the European Union, presented a new level of fines, foresaw the block exemption of certain categories of prohibited agreements, the rules in relation to agreements of minor importance (*de Minimis*).

3.23. Since 2010, the Commission of the Albanian Competition Authority has issued 258 decisions in total, among which 46 decisions related to the control of concentrations; 10 decisions related to abuse of dominance cases; 14 decisions related to prohibited agreements; 3 decisions on the exemption from a prohibited agreement; 23 decisions on the approval of different sublegal acts in the area of competition (mainly regulations and guidelines); 20 decisions related to recommendations towards public institutions in relation to competition concerns; 14 decisions related to administrative sanctions towards undertakings for anti-competitive behaviour; 1 decision related to the placement of interim measures and 1 decision related to the placement of conditions and obligations.

3.2.1.6 State Aid

3.24. The legal framework in the field of state aid consists of Law No. 9374, dated 21 April 2005 "On State Aid", amended by Law No. 10183, dated 29 October 2009 ("Law 9374/2005"), and three implementing regulations, approved by the Council of Ministers.

3.25. Currently, Law 9374/2005 is being amended in order to improve the state aid legislation, to further align it with the *acquis communautaire*, to reflect in the domestic legislation the several

changes of EU legislation in the field of state aid, and the recommendations of the European Commission's progress reports for state aid control in Albania.

3.2.1.7 Intellectual Property Rights

3.26. The main policy document on IPR is the National Strategy of Intellectual Property (NSIP). The inter-institutional working group for drafting a new strategy of intellectual property rights (2016-2020) was established by virtue of Prime Minister's order No. 112, dated 26 August 2015. The new strategy shall be finalised within the first half of 2016, as a follow up of the current strategy which ended in late 2015. The National Strategy on Intellectual Property (2016-2020) is a political document that clearly defines the strategic objectives and measures for achieving them by stimulating the development of a gradual process of strengthening the entire system of intellectual property.

3.27. Copyright in Albania is mainly protected by Law No. 9380, dated 28 April 2005 "On copyright and other related rights", as well as by other sub-legal acts pursuant to this law. Copyright policies and initiatives were taken in compliance with the Action Plan provided by the National Strategy on Enforcement of Intellectual Property Rights 2010 – 2015. A new draft law on copyright was approved by the Council of Ministers in September 2015, and consultation within the parliamentary Commissions has already started. Particular attention is given to the monitoring of IP rights in the market. Since April 2015, there are four collective management agencies of copyright and related rights functioning. In addition, public awareness campaigns have been regularly carried out.

3.28. In the area of patents and trademarks, Albania has approximated its law with the EU legislation. The latest legislative changes are Law No. 55/2014, dated 24 June 2014 "On amendments to Law No. 9947, dated 7 July 2008 "On Industrial Property", and Law No. 66/2014, dated 24 July 2014 "On amendments and addenda to Law No. 8488, dated 13 May 1999 "On the Protection of Topographies of Integrated Circuits". Albania is a member of all international agreements, a member of the European Patent Organisation and a member of World Intellectual Property Organisation. The applications for trademarks, patents, industrial designs and geographical indications increased in 2015 by 19% compared to 2014 and 36.3% compared to 2013. Patents grew by 27% compared to 2014 and 52% compared to 2013.

3.29. During 2010-2015 good progress was achieved in the enforcement and institutional cooperation with regard to IP rights. During this period the customs system has based its protection of IP rights on the Implementing Provisions, article 118-120 of DCM No. 547, dated 1 May 2008, "On some amendments and additions in the DCM No. 205, dated 13 April 1999 "On implementing provisions of Customs Code", as amended. These legislative changes have partially approximated EU Regulations No. 1383/2003 and No. 1891/2004.

3.30. The customs authorities had five requests in 2010 from the IP rights holders to proceed against IP infringement cases, while in 2015, the number of applications reached 117, showing the effectiveness of the enforcement.

3.2.2 Trade in goods and services

3.2.2.1 Trade in goods

3.2.2.1.1 Agriculture

3.31. Agriculture continues to be an important contributor for growth, having considerable share in the Albanian economy, contributing by about 20% to the GDP. During 2010-2015, agriculture has undergone important development. The objectives in agriculture consist in: (a) increasing productivity and competitiveness of agriculture, (b) improving standards and ensuring food safety, (c) production specialization in the sectors of vegetables, viticulture, fruit growing and livestock, (d) improvement of marketing network, and (e) completion of food safety standards, remain at the core of efforts for Albanian agricultural structures.

3.32. Policies for agriculture and rural development are in compliance with the Strategy for Agriculture and Rural Development in Albania 2014-2020, following the strategic initiatives of the

previous Strategy of Agriculture and Food 2007-2013 and the Strategy for Rural Development 2007-2013.

3.33. The goal of the sectorial policies is the development of a sustainable and competitive agriculture and agro – processing sector, to promote a balanced economic development in rural areas, paving the way towards the integration of the agricultural sector and food processing in the EU, as a basis for growth, improvement of living standards and poverty reduction in the rural areas. To achieve this goal during 2010-2015, domestic financial support to agriculture is increased, complying with WTO Agreement on Agriculture. Since 2014, the national support schemes are redesigned, including schemes aimed at improving the technologies of cultivation, support in investment capacities, processing lines, etc.

3.34. In addition to the national support schemes, IPARD-Like Programme, through co-financing program with the EU, has started since 2012. The total budget is of €8.6 million, of which €6.2 million is financed by EU and €2.4 million from the State budget. The project supports investments in Agriculture Holdings and investments in the Processing and Marketing of Agricultural and Fishery Products.

3.35. During 2010-2015, exports of agriculture products have increased, especially the exports of fresh fruits and vegetables. This increase is mainly because of investments' increase and natural advantage Albania has in the region (favourable weather conditions, which enable an early production season). For the period 2010-2015, the export-import ratio improved, from 1 to 8.8 in 2010 to 1 to 4.1 in 2015.

3.36. The policy for agriculture and rural development encompasses:

- **Rural development policy**, designed to address the needs for agriculture and rural development in Albania, to improve their economic performance and living conditions in rural areas, to prepare these sectors for future EU membership. IPARD II is the main instrument for funding rural development policy in Albania.
- **Consolidation of the Domestic support scheme**; the focus is mainly the financial support to farmers, support for investments in rural infrastructure (water supply, irrigation, drainage and roads) and other interventions. Support for farmers is provided through annual support schemes and sectors that have been supported, particularly: (i) fruits, nuts, olives and vines, vegetables, milk, organic products, cultivation of medicinal plants, snails breeding; (ii) promotion of rural credits in agro-processing and mechanization of agriculture through interest rate subsidy; (iii) investment in capacity building for storage and collection, processing lines, etc.
- **Institutional development, implementation and enforcement of regulatory requirements of the EU**, in order to complete the harmonization of policies and regulatory requirements of the EU. The process of approximation of national legislation and policy with the EU acquis and further development of institutions for its implementation.

3.2.2.1.2 Industry

3.37. Industrial policy is in the process of mainstreaming in other sectorial policies, with a view to contribute to the competitiveness and growth. A draft Strategic Paper on the Development of Non-food Industry 2016–2025 is prepared and is currently being consulted with different stakeholders, including private sector and business associations and academia. The approval of the document is expected within 2016.

3.2.2.2 Trade in services

3.38. International trade in services has recorded a positive balance or surplus for nine consecutive years (2007-2015). Export of services represents approximately 18% of GDP, whereas the average share of imports of services to GDP in the period 2010-2014 was close to 16%. Imports of services are about half the value of imports of goods whereas exports of services are almost equal in value to the imports of goods. In 2015, on the exports side, processing services made up about 12% of total export receipts, travel services around 70%, transport services 8%

and other services around 11%. On the imports side, travel services accounted for about 75% of expenditures, transport services for 11% and other services for 13% of total services imports. Around half of the non-residents travelling to Albania come from Kosovo; one third of the total number of visitors are Albanian immigrants living abroad and the remaining part are visitors from other countries such as Czech Republic, Poland, Hungary, Russian Federation, Italy, Greece etc.. Main destinations for residents travelling abroad are Turkey, Greece and other European countries. On the inflows side (exports), 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 (imports).

3.2.2.2.1 Financial sector

3.39. Within a 5-year-period starting from 2010, the share of banks' assets has been declining as a result of the expansion of other segments of the market. The remaining structure of the financial system is represented by 11 insurance companies and 1 reinsurance company, 3 companies that manage private pension funds, two investment funds, 26 non-bank financial institutions and 106 savings and credit unions, part of the two financial unions. In 2010, the share of the non-banking financial sector was 6%. The non-bank financial sector had its fastest growth in 2012, when Raiffeisen Bank established the first investment fund. This period coincided with the decision of this bank to reduce exposure to the Albanian public debt. Currently, the non-bank financial sector constitutes 10% of the financial system's assets.

3.2.2.3 Banking

3.40. 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.

3.41. The financial system in Albania is concentrated and dominated by the banking sector. There are 16 banks in the country, 13 of which are foreign-owned banks and 3 of which are Albanian. None of them functions as a branch. Banks represent 90% of the total financial system's assets and, their assets about 93% of the country's GDP for 2015. There are four major banks in the Albanian banking sector, with foreign capital from Turkey, Austria, Italy and also domestic capital. These banks represent 70% of the total banking sector's assets and deposits and 63% of lending activity.

3.42. Financial intermediation in Albania, estimated as the ratio of financial system assets to GDP, was 102.8% in 2015. Banking sector assets in a 5-year time period (2010-2015) increased on average by 8%. Lending activity was recovered significantly during 2015, driven by favourable interest rates for domestic currency. On average, credit has expanded by 6% annually since 2010.

3.43. This positive trend mainly reflects the easing of credit standards by banks. This development has been aided by an anticipated sharp improvement in bank's asset quality, supported by the clearance of accumulated arrears and the obligatory write-off of loans held in "loss" category for more than 3 years. In March 2013, capital requirements for banks that increase credit by 4-10% were reduced and disincentives for banks that hold funds overseas were introduced. Moreover, at the end of 2013 and in early 2014, write-offs were facilitated, and collateral enforcement was simplified.

3.44. The banking activity continued to be fundamentally financed by deposits, which accounted for about 83% of total assets. The loan-to-deposit ratio is around 55%. The deposits volume increased on average by 9% in these five years, driven mainly by foreign currency deposits. The latter expanded by 11.4% on average, compared with those in domestic currency that averaged a 7% annual growth. 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, and continued to increase during the period. Borrowing from parent banking groups fell. 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), both in lek and in foreign currency, are above the minimum regulatory ratios.

3.2.2.4 Non-banking

3.45. Currently, in the Albanian insurance market operate 10 insurance companies, of which 7 non-life insurance companies, 2 life insurance companies and one life and non-life insurance company. In 2012, a new non-life insurance company was licensed, while in 2014, there was a decrease of the number of insurance companies from 11 to 10, following the merger of two insurance companies. The insurance market in the past five years has continuously increased. From 2010 to 2016, the insurance market has experienced an increase of 12.37% in relation to the average gross written premiums. During the past 5 years, in structure the market continued to be oriented towards the non-life insurance.

3.46. The year 2011 marked an important development in the pension market. The newly licensed voluntary pension funds, in accordance with the new Law No. 10197, dated 10 December 2009 "On voluntary pension funds" started the operation. Currently in the market operate three management companies of voluntary pension funds and 3 banks as depositories of these pension funds. Data analysis of the voluntary private pension market as of 30 September 2015 shows a total of net assets of lek 837.1 million (in comparison with lek 155 million for the year 2011). The number of members in the three pension funds operating at the end of 30 September 2015 was 11,227 members (in comparison with 6,295 members for the year 2011).

3.47. The most developed segment of the securities market for the last five years has remained the investment funds market followed by the government securities retail market. The volume of secondary market of Government securities during the period January-September 2015 was dominated by transactions in short-term instruments (T-Bills) at 73.11% (in comparison with 87.2% for the year 2010). The remaining part was long-term instruments (notes and bonds) at 26.89% (in comparison with 12.8% for the year 2010).

3.48. In terms of number of transactions, 84.9% (compared to 98.7% for the year 2010) of all transactions in the secondary market of government securities belonged to transactions with bonds. The investment funds industry in Albania started in the beginning of the year 2012 and in the last three years, 2013, 2014 and 2015, the investment fund market, both in Albanian Lek (lek) and in Euros, has continued its expansion, becoming the second largest market in terms of assets after the banking sector. During 2012-2014 the market of investment funds represented 43.2% of the weight of the markets supervised by the AFSA in 2012, 69.1% in 2013 and 71.6% in 2014, or 1.2% of the GDP in 2012, 3.7% of the GDP in 2013 and 4.6% of the GDP in 2014. Currently, in the market of investment funds operate two funds, Raiffeisen Investment Fund Prestige' and 'Raiffeisen Invest Euro Fund', whose activity began in 2012, and in nearly 3 years they increased significantly in terms of value of the assets they manage and the number of their investors.

3.49. During the period under review, many legislative changes occurred to further improve the supervision of the non-banking financial services.

3.2.2.4.1 Electronic Communication

3.50. The electronic communications sector in the Republic of Albania is regulated by Law No. 9918, dated 19 May 2008 "On Electronic Communications in the Republic of Albania", amended by law No. 102/2012 ("Law 9918/2008"), and it is one of the most liberalised sectors. Albanian legislation in this field aims to eliminate the barriers for new entries in the market, to promote the free and efficient competition in the internal market, and protect the consumers. The adoption of Law 9918/2008 marked an important step towards the full liberalization of the electronic communications market. The amendments approved by law No. 102/2012, made possible further liberalization towards the access to spectrum frequencies based on technology-neutrality principle.

3.51. The National Broadband Plan, a strategic document on the infrastructure and broadband services development, was approved in 2013. The National Broadband Plan has been amended by DCM No. 300 dated 8 April 2015, aiming to accelerate the provision of 4G/LTE services by removing the technical limitations on the spectrum use and through re-shuffling of spectrum frequencies.

3.52. During 2010–2015 the competition in the electronic communication market has been increased. Currently, there are 4 mobile operators, 79 alternative fixed telephony operators and

130 internet service providers. The mobile penetration is over 100%. In 2015, the mobile broadband services based on 3G and 4G are provided in the market, while in 2010 the mobile Internet was provided in GPRS and EDGE. The 4G/LTE services have been commercially launched in September 2015. The number of fixed broadband subscriptions was increased from 120.000 in 2010 to 228.000 in the middle of 2015, while the number of mobile broadband users is over 1 million.

3.2.2.4.2 Postal Service

3.53. Postal services in Albania are regulated by Law No. 46/2015 "On postal services in the Republic of Albania", approved in May 2015. The adoption of the new law marked an important step towards full liberalization of the postal market. The legal framework on postal sector aims to promote free and effective competition in the market, to ensure financing of the universal service in order to guarantee the provision of the universal postal services and protect the consumers.

3.2.3 Trade policy coordination and monitoring

3.54. In response to the needs for trade policy coordination and monitoring, the establishment of the National Committee for Trade Policy Coordination and Facilitation is in progress. The Committee is expected to be functional within the first half of 2016 and will be chaired by the Minister responsible for trade policy. The Committee will be composed by representatives from all institutions involved in trade policy making and facilitation and from the private sector. The main proposed functions are: (i) coordination of trade policy-making at the national level (ii) consultation of trade policy with the business community, (iii) proposal of measures to facilitate trade, (iv) permanent monitoring of trade policy.

3.55. This Committee will have two fold purposes (1) respond to the commitment of WTO Trade Facilitation Agreement and (2) respond to the needs to strengthen the administrative capacities in trade policy.

4 TRADE POLICY OBJECTIVES AND DEVELOPMENT

4.1 Participation in WTO negotiations

4.1. Albania follows the development in WTO and participates through the Permanent Mission of Albania to Geneva in different meeting. Albania notifies regularly in WTO all measures falling under TBT and SPS, complying with the transparency governing principle of WTO. The National Enquiry Points for TBT and SPS, established in accordance with the provisions of the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures, notify in advance new legislative acts.

4.2. Since January 2010, 38 notifications on draft technical regulations with an impact on trade have been notified by TBT Enquiry Point. In addition, notifications of six monthly standards work-programme are regularly notified to ISO/IEC Secretariat. In the field of SPS, since 2010, 62 regular and emergency notifications, the later compliant with OIE notifications, have been notified. The Ministry in charge for trade policy regularly submits all other notifications to the WTO Secretariat.

4.3. With regard to the negotiations in the Information Technology Agreement in WTO, Albania has co-sponsored the proposal of EU and has supported the declaration and list of products proposed to be covered by this agreement.

4.4. With regard to the accession to GPA, following the request from the GPA Committee, Albania has already replied officially in July 2015 on its intention not to accede to GPA at this moment. The process of harmonization of the national legislation with EU acquis in all areas is a priority and thus public administration capacities are dedicated to this process. Therefore, any process of accession to GPA at this stage would result difficult and very demanding for Albania.

4.5. WTO Trade Facilitation Agreement was ratified by the Parliament on 4 February 2016 and the acceptance document is in the preparation phase. Albania has already notified the A commitments and is preparing the B and C commitments.

4.2 Albania's Accession Process to the European Union

4.6. Accession to the European Union (EU) is one of the strategic objectives of the Albanian Government. This aim can be achieved only through the full implementation of the Stabilisation 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.

4.2.1 The National Plan for European Integration

4.7. Since 2006, the Government of Albania drafts a special Plan for the implementation of the SAA. The National Plan for European Integration (NPEI) 2016-2020 was adopted in January 2016. This plan involves *long* and *medium term* measures extending up to 2020, with a view to completely approximate the national legislation with *acquis* of EU and for all the sectors, comply with the standards laid down in the chapters of the *acquis*.

4.8. In October 2013, the European Commission in its document over "Enlargement Strategy and Main Challenges 2013- 2014" declared that Albania had met all conditions and recommended the granting of the candidate country. Albania worked extensively on five key priorities: (i) reform and de-politicisation of public administration, (ii) strengthening the independence, efficiency and accountability of the judiciary, (iii) strengthening the fight against corruption, including a series of investigations and punishments, (iv) strengthening the fight against organised crime, including a series of investigations and punishments (v) strengthening the protection of human rights, including Roma and anti- discrimination policies and the protection of property rights.

4.9. On 24 June 2014, the *Council* of the *European Union* agreed to grant Albania the candidate status, recommending further development of reforms to open negotiations. For this purpose, the Government of Albania drafted the Roadmap for the fulfilment of five key priorities, which was adopted by the DCM No. 330, dated 28 May 2014. The Roadmap was then replaced in 2016 with a Short-Term Action Plan, to address the short terms recommendations of the 2015 EC Report on Albania aiming to open the accession negotiations in 2016.

4.3 Regional integration

4.10. Albania is very committed to the regional cooperation, in particular with the countries of Western Balkans and Turkey.

4.11. In the framework of CEFTA 2006 agreement, Albania plays an active and constructive role, proving the importance the regional cooperation has for trade and economic advancement of the country. Currently Albania is engaged in the negotiations of the services trade and Trade Facilitation within CEFTA. Trade with Western Balkans is fully liberalized providing a full free trade zone for Albania. In addition, Albania is an active country in all CEFTA structures showing commitment and political will to the regional cooperation and development. Trade potentials are below the potentials though and therefore Albania is focused to diversify its export potentials.

4.12. Kosovo is a strategic economic and political partner for Albania. In January 2014, Albania and Kosovo signed the agreement on trade facilitation, followed in March 2015 with the signing of the implementing protocol on trade facilitation. Progress is noted in areas of customs cooperation, technical regulation, standardizations and accreditation, while the cooperation in the field of SPS remains a challenge. In addition, elimination of trade barriers with Kosovo has been the primary focus during 2014-2015. Bilateral consultation for trade barriers are held during the whole 2015.

4.13. Implementation of FTA with Turkey and EFTA States progresses smoothly.
