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ECONOMIC OPINION

COVID-19: NATURAL DISASTERS AND THEIR EFFECTS ON THE ECONOMY

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The coronavirus pandemic is a major global disaster that was unpredictable and unprogrammed anywhere. But, ultimately, we have to come up with some lessons from the bitter battle with the pandemic. And certainly all countries are doing so.

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The construction industry makes up one of the most important sectors of the Albanian economy, directly affecting the country's economic development. The sector has a direct impact on Albania's Gross Domestic Product (GDP). In 2019, for example, activities related to real estate led to GDP growth of +0.51 percentage points, with construction itself being +0.43 percentage points of that growth. The impact of the construction industry is observed in many elements -- things like employment, taxes paid to the local governments, liquidity flow, infrastructure development, area development, etc.



The Covid-19 pandemic paralyzed half of the country's economic activity for two months. A study by the Investment Council found that 47% of enterprises in Albania completely stopped

operating during the blockade in March, April and partly in May. A study conducted by the Investment Council shows that of all the sectors of the economy, the most affected is tourism, with businesses in this industry having a total closure, while the only branch that continued to operate was agriculture.

Businesses are urging the government to take a number

of measures to regenerate the economy following the consequences of COVID-19. The requests are addressed in the survey conducted by the Secretariat of the Investment Council and are divided according to the needs of the sectors. Specifically, the tourism sector, which is the most affected, suggests that businesses should not pay profit tax for 2019 in order to

have some reserves to keep companies afloat for 2020-2021 and reduce the profit tax rate with 5-10% for the year 2020-2021.

Meanwhile, the survey suggests that at least 86% of Albanian companies do not have any emergency plan approved by them, on the basis of which measures can be taken that reduce the impact of a disaster. The Business

Council Investment Council survey, on the coronavirus effect, shows that the most careless of all sectors, not thinking of an emergency plan, is the construction sector.

"Companies in Albania do not have an emergency plan (86% of companies do not have an approved emergency plan). Behavior is the same, regardless of size or economic sector. Companies operating in the Service and Industry are more prepared to deal with emergencies, albeit at very low levels (17% of service companies and 16% of industrial enterprises state that they have an approved emergency plan). Construction and trade companies are less prepared," the document reads.



Welcomes



ALBANIAN CONSULTANCY
YOUR ACCOUNTING PARTNER

Albanian Consultancy is a relationship focused firm, partner-led service. Over the years we have made experience working with a wide range of client groups and owner managed business, to private clients seeking proactive tax advice, accounting services audit, taxation, division or merge of companies, exit planning, liquidations, appeals and tax litigations, valuations of shares and businesses, investigative auditing in Albania, due diligence, valuations of properties etc. We provide an integrated suite of services developed to cater for the needs of companies.

Our goals are the high ethical and professional requirements of the services it provides. Here we believe that the tone of reliable relationship is set from the beginning whether your business is a start-up or an existing one, you will benefit effective, prompt and efficient services. At Albanian Consultancy's team you will find a proactive

resource able to foresee any issues before they arise. Provided of more than 15 years of experience in legal and accounting matter, continuously professionally certified, they offer a full range of services based on special approach to understand the valued business, its current and prospective performance, and undertake detailed target due diligence and report in a tailored fashion.

We can help avoid the common tax planning, cash-flow management and local regulatory pitfalls that a reactive finance function might not.

Since 2018, Albanian Consultancy is a member of "Russell Bedford International" - a global network of independent professional services firms, which include the best local experienced firms to the highest international standards and practices.

We accept the best candidates regardless of gender, race, religion or any other form of discrimination. Together everything can be solved easier.



Cape of Rodon Green Village: A different type of project

The Cape of Rodon, a place of great natural, cultural and historical value, was for many years off the map of places to explore for most people. Despite this, without a doubt, anyone who knew about this place adored its magic -- the protected nature, the crystal clear sea, the stunning views and the shapes of the hilly terrain. For many years, the visitors to this special place have been passionate about nature, privacy and seeking a different type of experience. Today, the situation at the Cape of Rodon has seen radical change. Today, it is turning into a high-value tourist destination.

An investment that paves the way for the development of the area has begun to come to life as Cape of Rodon Green Village -- a resort based on a unique, eco-friendly concept.

The Cape of Rodon Green Village offers only 48 villas with six different typologies, thus being an exclusive project with a selective community, aimed precisely at those who prefer privacy, tranquility, beauty, being close to nature and being different.

The nature-architecture-quality-location combination makes this project

not only a favorite place to vacation, but also one of the safest places to invest in the real estate sector in the domestic market. The resort also includes a luxury hotel that will be managed under an international package, offering services throughout the year, which translates into increasing the flow of tourists every month of the year, making full use of the property for all 12 months.

The hotel manages the villas of the resort residents, including them in its sales packages, which makes it easier for each resident to have professional property management and rental income guarantees that serve as return on investment according to plans.

The list is long for what this place has going for it, but one has to add the fact that the Cape of Rodon, in addition to stunning nature and a strategic position, also carries numerous cultural and historical values, thus is a favorite year-round destination for both domestic and foreign tourists.

In a market where demand and supply are changing, under the conditions of a dynamic lifestyle, your property on the coast should be beautiful, comfortable, of quality, easily accessible and come in the form of an investment -- as well as offer security. All of these elements come together under the Cape of Rodon Green Village brand.



Armi Ponari

CEO SIGAL UNIQA Group Austria

The coronavirus pandemic is a major global disaster that was unpredictable and unprogrammed anywhere. But, ultimately, we have to come up with some lessons from the bitter battle with the pandemic. And certainly all countries are doing so.

Beyond that, the most important thing we need to talk about is the economy. What is going on with the economic systems and who is being hit hardest by the pandemic? And have we learned the needed lessons from the pandemic that continues to keep the world on its knees?

As the well-known historian Yuval Harari puts it, "We cannot prevent the emergence of new infectious diseases, but nevertheless we have the power to curb this type of epidemic disease and prevent it from killing millions." To that, I would add that we have the opportunity to prevent the destruction of the economy as well.

This pandemic exposed the fragility of our economies, posing major challenges in the supply chain and hitting hard travel businesses like airlines, creating volatility in financial markets, the banking and insurance sectors as well as badly affecting the entire hospitality services chain -- tourism, hotels, bar-cafes and shops.

COVID-19: NATURAL DISASTERS AND THEIR EFFECTS ON THE ECONOMY



Thus, this pandemic is not just a public health crisis, but also a social and economic one.

As it is understood, this pandemic knows no borders, hitting countries that are small and big, successful or less successful, hitting everyone regardless of race or nationality. The entire world today is on its knees. In the situation we

find ourselves, the question that arises is: Can we protect ourselves from the current global pandemic crisis or even other types of crises and catastrophes that we have gone through or that may come in the future?

Great needs require great solutions. A small country is difficult to defend but easy to govern. It is

enough to have the desire and to put people to work.

There are hundreds of companies in the world that have as many employees as the entire employed population in Albania.

So it is possible to scan all sectors to find out what is needed to be prepared and come up with a realistic assessment. Moreover, one can classify potential risks and needed protections.

Insurance programs done in an institutional way, programs that offer guarantees and financial protection for individuals and companies have been created as a need of the times. Thanks to guarantees that come from insurance, no one will be harmed irreversibly, because the potential risk is covered.

From the socio-economic viewpoint, pandemics are the same as natural disasters, only that disasters are local while pandemics are global.

In the past 500 years, according to scientific data, the world is estimated to have gone through 15 global pandemics and thousands of natural disasters. In Albania alone, according to a 2018 report by FAO (the UN Food and Agriculture Organization), the last 150 years have seen 4,000 natural disasters. In the last 20 years alone, the Albanian government has issued a Natural Disaster Declaration three times due to major floods. In addition to the loss of human lives, these natural disasters have also been really bad for the economy.

According to some estimates by researchers Melecky and Raddatz in 2011, natural disasters have increased government spending by an average of 15 percent and reduced revenue by about 10 percent over five years after a catastrophe, leading to a significant increase in the overall budget deficit.

Last year's earthquakes brought insurers at the center of attention as they were flooded



with claims for damages. More than 5,000 insured people were compensated for damages from the two earthquakes, and others are in the process. The insurance market has paid millions of euros, fulfilling its obligations to customers and showing responsibility for their work and mission.

How many people were harmed one way or another by the earthquakes? Thousands. How many were able to benefit from insurance? Very few! Because one had to be insured to be financially protected and to continue life normally. It is impressive to note that for the two or three days after the earthquake there were a few more people getting insurance, but the trend died soon after as the ground stopped shaking and the fear of the moment was gone -- people went back to the leave-it-to-God attitude.

The situation is almost the same now. This time it's not an earthquake, but a pandemic. But is there insurance that does cover a pandemic? Of course there is. Today, everything that can happen on this earth is insurable. If these businesses that had to temporarily shut down were insured, then everything they lost would have been paid. So, if a tailor, hotel or airline had signed up for the right type of insurance, in addition to basic coverage, then the insurance companies would have compensated the damages caused by the pandemic.

It is very important for a company to get insurance for cases of interruption of business, because it creates an opportunity to continue the business unharmed by the crisis. Insurance payments would include lost earnings, employee salaries and these are well defined in the contract, with a limit set depending on the premium paid and covered risks, based on the capacity and financial strength of the company which seeks to be insured.

But the question that naturally arises is: How many companies in Albania have such an insurance plan? In my 30-year history in the insurance sector, only one foreign company in Albania had gotten



“Whereas, if we refer to the developed world, not only businesses get total coverage, but individuals too regularly have at least **three insurance policies: life, health and property.**”

insurance for everything -- the lives of employees, their health, the company's assets and coverage for cases of interruption of businesses. So in 30 years of insurance, only one company purchased this type of insurance and that of course was a foreign company.

Whereas, if we refer to the developed world, not only businesses get total coverage, but individuals too regularly have at least three insurance policies: life, health and property.

In Singapore, for example, during the current pandemic period, the servers crashed as the online system could not handle the large load of applications to get the benefits of life, health and other insurance requests.

I want to give you an example from Austria in terms of business insurance. One of the largest breweries there, which first dealt with a global pandemic 102 years ago, the Spanish Flu, which claimed 50 million lives, made sure to get business interruption insurance every

year, including this year, which happened to be another pandemic period. And, today, despite the interruption of its business due to COVID-19, the brewery was covered by the insurance company for both the salaries of employees and the missing profits and everything else related to the business interruption.

So everything is possible, but for us it is a bit difficult to understand and believe, but these types of insurance coverages exist because the insurance industry has both the expertise and the financial capacity to deal with them.

Unfortunately, the insurance industry in Albania has been accompanied throughout these 30 years of its existence by a kind of stagnation “pandemic” -- with an increase in insurance per capita of only 30 euros -- that's 1 euro per year.

The current landscape is still affected by the country's communist past which instilled a mentality that the state should be in charge

of dealing with misfortunes, and we do not see it as an individual responsibility. Or we see it as a part of support for the insurance industry.

But that's not the case. The insurance industry and its expansion mean an increase in support for the people of Albania. In countries where there is no developed insurance industry and where the individual is completely dependent on the state, the freedoms of the individual, and in essence democracy, are inevitably lacking. That's because individual independence and freedoms start from the finances and grow slowly along with them.

What the world has taught us over the past years and centuries is that you cannot escape pandemics and natural disasters. Therefore, it is necessary for the state to implement preventive policies in response to natural disasters. The government should consider the use of methods designed by experts who have studied approaches to preventing and coping with the effects of natural disasters, placing insurance for natural disasters as part of a national program.

In conclusion, we need to move away from the way of thinking that the state is solely responsible for dealing with natural disasters, and we need to move to a real market economy, where everyone is responsible for what they have created. So deep reforms are needed for people to know where to turn in case of disaster. We are fortunate that we don't need to reinvent the wheel and experiment. It's enough to adapt legislation similar to what EU member states use, reducing the guardianship role of the government and increasing the role of the citizen, which is a key element of the market economy.

It is important to note that the insurance market in Albania is reinsured with the world's largest reinsurance companies, and thus it offers the ability to provide insurance for disasters, pandemics or any other events, with total coverage capability that is not in the range of millions, but in the billions of euros.



Klodiana Azizi

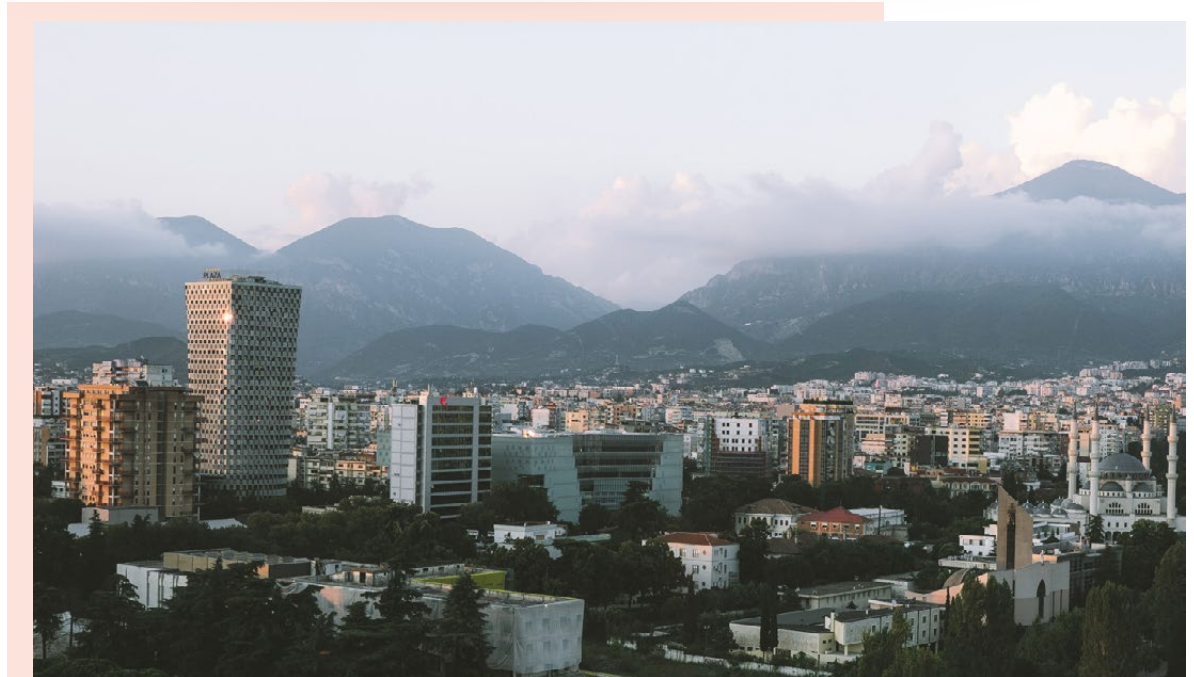
INVEST

The construction industry makes up one of the most important sectors of the Albanian economy, directly affecting the country's economic development. The sector has a direct impact on Albania's Gross Domestic Product (GDP). In 2019, for example, activities related to real estate led to GDP growth of +0.51 percentage points, with construction itself being +0.43 percentage points of that growth. The impact of the construction industry is observed in many elements -- things like employment, taxes paid to the local governments, liquidity flow, infrastructure development, area development, etc.

The 2008 global economic crisis had a significant impact on the Albanian economy, and construction was not immune. Now, another crisis is looming, and it too is expected to hit the construction industry as all as other business sectors. The COVID-19 pandemic is a threat not only to the public's health but also to the economy. The lock-down and paralysis of public life, panic and fear, job cuts and other elements will lead to a general decline in economic terms.

COVID-19 AND INTERNAL FACTORS, A NEW CRISIS IS LOOMING

The negative impact



THE CONSTRUCTION INDUSTRY'S IMPACT ON THE ALBANIAN ECONOMY

of COVID-19 is expected to bring a global recession, and experts are predicting that the world economy will shrink 1.5 percent this year. In Albania, the construction sector itself is expected to face a drop in real estate prices, a drop in collateral prices, lack of sales and an increase in the number of the unemployed. The pandemic is hitting supply and demand, but, above all, it is causing a liquidity crisis.

In addition to the overall situation created by COVID-19, Albania's con-

struction sector also needs a dedicated analysis of the domestic market and specific factors affecting it in response to the crisis that must be overcome. Currently, there is a trend of an increasing number of construction projects, mainly concentrated in Tirana. Albania's coastal areas are also drawing the attention of investors.

At a time when the number of construction permits is high and prices are also at a high level -- both being inversely related to the coun-

try's population numbers and its overall economic level, a market analysis is needed to look at supply and demand.

A COORDINATED RESPONSE TO A POTENTIAL CRISIS

Faced with the two elements mentioned above, construction companies must be prepared with a proper response and management system. Responding to these factors, which are now combined with the crisis caused by COVID-19, construction companies

need to quickly build a development strategy focusing on bringing in new methods of property management, using proven European and regional models such as property share, renting programs and hotel apartments. Meanwhile, ways to approach a larger market must also be found, opening up the Albanian real estate market to customers from the region and beyond. Particular attention must also be paid to investments in other locations, such as Tirana's suburbs as well as coastal areas beyond Durrës and the Southern Riviera. Reducing prices and providing financing programs for customers are also a must.

Responding to the COVID-19 crisis in a way that does not repeat the effects of the 2008 crisis means the construction industry needs an organized response and to adapt to a new management style. Albania's economy needs the construction industry to continue to be strong, so let's work together to overcome this crisis in a more coordinated way.

COVID 19- ECONOMIC NEWS



COVID-19 EFFECT ON THE ALBANIAN BANKING MARKET - BEI REPORT: THE LOAN WILL BE NEGATIVELY AFFECTED, BUT THE MARKET HAS A SATISFACTORY POSITION

The European Investment Bank (EIB) has published the latest periodic report on the banking sector in Central and Southeast European countries, which also includes Albania. The new report also reflects the situation created by Covid-19. "Demand for loans in Albania is below expectations, falling over the past 6 months, and falling to neutral territory after 2 years with the growing trend"



2000-2017, ALBANIA'S ECONOMY DEPENDS ON AGRICULTURE, THE REGION EXPANDS PRODUCTION

In the last two decades, from 2000 to 2017, the structure of the Albanian economy has been dominated by agriculture, an indicator that Albania, unlike

other Western Balkan countries, will find it more difficult to increase productivity and achieve standards of the EU for many more decades, says a study by the Vienna Economic Forum on productivity in our region.

BUSINESS CREDIT WITH SECOND GUARANTEE DENAJ: OPPORTUNITY TO FACILITATE INTERESTS

The government can revise business loan interest through a second sovereign guarantee. The second sovereign guarantee, according to the decision approved by the government, provides for the application of 5% interest, loans that would not be used not only for employees' salaries, but also for the payment of business invoices, working capital or raw materials. .

NORMATIVE ACT: IF YOU HAVE PAID HOLIDAYS, YOU WILL RECEIVE COUPONS, OR REFUND WITHIN ONE YEAR

The Council of Ministers has adopted a normative act, on the proposal of the Minister of Tourism and Environment, which aims to determine the specific measures to be taken in the tourism sector, for travel agencies, tour operators and their clients, in providing a travel service, from the day of the announcement until the end of the natural disaster caused by COVID-19.

BUSINESSES RISK PAYING ABOUT 2M EUROS IN FINES FOR FAILING TO HELP THEIR EMPLOYEES

There are about 5 thousand employees, who will receive

directly the financial assistance of 40 thousand ALL from the second package, as the employers had not applied in the system for them. The list was published by the Tax Directorate, which also announced the procedures that these individuals must follow to receive their salary.



LOW RISK FOR MONEY LAUNDERING - PRIVATE PENSIONS, PUBLIC COMPANIES, LIFE INSURANCE ARE EXCLUDED FROM THE RISK LIST

A number of financial entities starting with life insurance companies, pension schemes, or public companies have been excluded from the risk of money laundering. Through a decision approved on June 10, the Council of Ministers has identified the indicators of low-risk money laundering and terrorist financing situations, for which simplified vigilance can be applied.

AVERAGE ALBANIAN SALARY RISES TO EUR 428 A MONTH IN Q1 2020

During the first quarter of 2020, the average salary in Albania was 53,232 ALL, or EUR 428, according to data from INSTAT. This shows an increase of 3.3% when compared to the same

quarter in 2019. Unfortunately, those working in the agriculture, forestry and fishing industry have an average salary that is lower by 36.4%. The average salary in this sector decreased by 10.8% on last year's figure to just 33, 850 ALL (EUR 272.50).

PROJECT FOR COVID-19, WB: THE NUMBER OF BEDS WILL INCREASE, 12.6 PER 100 THOUSAND INHABITANTS

The COVID-19 crisis has forced countries to look at opportunities to increase the number of beds in their hospitals, fearing that the pandemic wave could increase numbers rapidly putting pressure on the health system. Albania does not seem to make an exception to this trend. The details are revealed in the project that was submitted to the World Bank, for which a sum of 16.2 million dollars was initially requested, but after detailing the components, it resulted in 16.6 million dollars.

TIRANA'S BUSINESSES RECEIVE INCREASED INVOICES (FROM THE INCINERATOR) OF LOCAL TAXES

Businesses have received bills in the first weeks of June that they have to pay for local taxes this year. Invoices have been increased due to the increase in cleaning fees after a decision of the Municipal Council of Tirana, "On the approval of the system of local taxes and fees in the Municipality of Tirana", which was taken at the end of 2019, for which many businesses have not been aware of.