

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

# Regulatory and Procedural Barriers to Trade in Albania

## Needs Assessment



UNITED NATIONS

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# **Regulatory and Procedural Barriers to Trade in the Republic of Albania: Needs Assessment**



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## Foreword

An upper-middle income country, Albania is in the process of implementing an all-encompassing reform effort to foster national competitiveness and achieve greater integration into global value chains.

Driving these reforms is the imperative for fulfilling the requirements of the European Union (EU) Acquis Communautaire, which gained new life in 2014 when Albania obtained the candidate status for EU membership. Trade has been at the centre of reforms to support the consolidation of new growth poles that would allow for achieving growth with equity through greater specialization in dynamic products with high value-added. These reforms accord priority to removing regulatory and procedural trade barriers, which, by inflating transaction costs, have been undermining employment generation and overall competitiveness in domestic and global markets.

It is against this background that this study was undertaken. The Government was facing increased development challenges, which were as far reaching as the ambitious reform targets the Government committed to attain. These challenges were complicated by the difficult environment that Albania was labouring under, whereby demand and investment were dampened by the sluggish growth in the Eurozone and beyond, thereby setting the limits to trickle-down effect of reforms.

This study is a contribution to Albania's trade development efforts. It provides action-oriented recommendations, which draw on extensive primary information collected during face-to-face interviews using UNECE evaluation methodology and consultations with public and private stakeholders. It takes into account the written comments of national stakeholders, submitted to the UNECE in May-June 2016.

The recommendations are geared to complement Albania's development strategies, including: the National Plan for European Integration for the period 2014-2016; the Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020; and, Business and Investment Development Strategy for the period 2014-2020. The recommendations will also be integrated into the United Nations Delivering as One processes in the country, with a view to informing technical assistance activities by UN agencies and development partners.



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## Abbreviations

<b>AEO</b>	Authorised Economic Operator
<b>ALL</b>	Albanian Lek
<b>ASYCUDA</b>	Automated SYstem for CUsToms DAta
<b>ATA</b>	Admission Temporaire/Temporary Admission
<b>BCP</b>	Border Crossing Point
<b>BIPM</b>	International Bureau of Weights and Measures
<b>BMP</b>	Border and Migration Police
<b>BPA</b>	Business Process Analysis
<b>CEFTA</b>	Central European Free Trade Area
<b>CoA</b>	Certificate of Analysis
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CTC</b>	Common Transit Convention
<b>€</b>	Euro
<b>DPA</b>	General Directorate of Accreditation
<b>DPS</b>	General Directorate of Standardization
<b>DPM</b>	Directorate of Metrology
<b>EA</b>	European co-operation for accreditation
<b>EFTA</b>	European Free Trade Association
<b>EU</b>	European Union
<b>EURAMET</b>	European Association of National Metrology Institutes
<b>EUROLAB</b>	European Federation of National Associations of Measurement, Testing and Analytical Laboratories
<b>FDI</b>	Foreign Direct Investment
<b>FSVI</b>	Food Safety and Veterinary Institute
<b>FYROM</b>	Former Yugoslav Republic of Macedonia
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GDC</b>	General Directorate of Customs
<b>GDP</b>	Gross domestic product
<b>GNI</b>	Gross national income
<b>GMP</b>	Good Manufacturing Practices
<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>HS</b>	Harmonised Commodity Description and Coding System
<b>IAF</b>	International Accreditation Forum
<b>IBM</b>	Integrated Border Management

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<b>ICIS</b>	Integrated Customs Information System
<b>ICT</b>	Information and Communication Technology
<b>IEC</b>	International Electrotechnical Commission
<b>IFCBA</b>	International Federation of Customs Brokers Associations
<b>ILAC</b>	International Laboratory Accreditation Cooperation
<b>IMEKO</b>	International Measurement Confederation
<b>OIML</b>	International Organization of Legal Metrology
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>ISO</b>	International Organization for Standardization
<b>ICT</b>	Information and Communication Technology
<b>MARDWR</b>	Ministry of Agriculture, Rural Development and Water Resources
<b>MEDTTE</b>	Ministry of Economic Development, Tourism, Trade and Entrepreneurship
<b>MIPA</b>	Ministry of Innovation and Public Administration
<b>MoH</b>	Ministry of Health
<b>NAIS</b>	National Agency for the Information Society
<b>NADMD</b>	National Agency of Drugs and Medical Devices
<b>NCTS</b>	New Computerised Transit System
<b>NFA</b>	National Food Authority
<b>NLF</b>	New Legislative Framework
<b>NSDI</b>	National Strategy for Development and Integration
<b>PCA</b>	Post-clearance Audit
<b>PCC</b>	Post-clearance Control
<b>RIA</b>	Regulatory impact assessment
<b>RAPEX</b>	Rapid Alert System for Dangerous Non-Food Products
<b>RASFF</b>	Rapid Alert System for Safety of Food and Feed
<b>RKC</b>	Revised Kyoto Convention
<b>SAA</b>	Stabilization and Association Agreement
<b>SEE</b>	South East Europe
<b>SEETO</b>	South East Europe Transport Observatory
<b>SITC</b>	Standard International Trade Classification
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>SPS</b>	Sanitary and Phytosanitary Measures
<b>SQAM</b>	Standardization, Quality assurance, Accreditation and Metrology
<b>SW</b>	Single Window
<b>TBT</b>	Technical Barriers to Trade
<b>TEN-T</b>	Trans-European Transport Network

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<b>TIMS</b>	Total Information Management System
<b>TIN</b>	Trader Identification Number
<b>TIR</b>	Transports Internationaux Routiers
<b>UML</b>	Unified Modelling Language
<b>USD</b>	United States Dollar
<b>UN/CEFACT</b>	United Nations Centre for Trade Facilitation and Electronic Business
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>USA</b>	United States of America
<b>VAT</b>	Value Added Tax
<b>WCO</b>	World Customs Organization
<b>WELMEC</b>	European Cooperation in Legal Metrology
<b>WTO</b>	World Trade Organization

Map 1. Map of the Republic of Albania<sup>1</sup>



<sup>1</sup> All references to Kosovo in the present document should be understood in full compliance with United Nations Security Council resolution 1244 and without prejudice to the status of Kosovo

# List of recommendations

## I. Trade facilitation

### 1. Outstanding needs and recommendations for improving transparency

Outstanding needs	Recommendations
<p><b>Up-to-date information on trade-related rules and administrative procedures and their implication</b></p>	<ul style="list-style-type: none"> <li>● State agencies' institutional websites should be kept up to-date and improved to offer detailed information in more than one language (at least in Albanian and English) on applied regulations and associated administrative procedures, including fees and forms. Customs should also consider establishing a new e-Customs portal, dedicated for the publication of up-to-date information on regulatory and procedural clearance measures.</li> <li>● State agencies should publish brief explanatory brochures (both in electronic format and hard copies) on the steps that traders should follow to ensure due diligence in fulfilling the legislative requirements. These brochures should be developed in close cooperation with business networks and associations, in order to ensure responsiveness to the enterprises' needs and the broadest possible dissemination of information.</li> <li>● The National Agency for the Information Society, in its capacity as the responsible State body in this area, needs to consolidate all information on trade-related regulations and procedures in a one-stop-shop information centre as part of the e-Albania portal. The emphasis should be on ensuring a clear, easy to grasp classification of information, with links to the explanatory brochures published by the State agencies and their institutional websites. The centre should also provide information on the support services provided by transport operators, customs brokers, banks and associations.</li> <li>● Establish standing working procedures with the media to ensure prompt dissemination of information on new regulations and procedures.</li> <li>● Establish a national enquiry point for trade.</li> <li>● Establish a focal point to solicit the private sector's views on new/revised laws before their entry into force based on clearly defined guidelines and procedures. This focal point could be the national enquiry or a market support institution that is willing to invest in assuming such a role.</li> </ul>

Outstanding needs	Recommendations
<p><b>Support services to enable the business community to fulfil EU regulatory requirements</b></p>	<ul style="list-style-type: none"> <li>● Establish, as part of the national enquiry point, a help desk, which is dedicated to addressing the business community's concerns over EU regulatory requirements and associated reforms in relation to phytosanitary and veterinary measures; customs procedures; and, safety and quality requirements.</li> <li>● Establish, as part of the e-Albania Portal, a comprehensive information centre about EU regulatory and procedural requirements; planned reforms; consequential changes to administrative procedures the timing of these changes; and, the areas in which no change will be required.</li> <li>● Prepare issue-focused information notes and explanatory brochures to familiarize traders with the basic tenants and concepts underpinning EU regulations (e.g., the concept of trade facilitation under the new customs code and the implications of the EU New Legislative Framework, which as shown in the next chapter introduce important obligations for enterprises) and associated procedures. The notes and explanatory brochures should be published on the State agencies' websites and the one-stop-information centre. This requires intensive consultations among State agencies within the context of a public-private sector participatory approach.</li> </ul>
<p><b>Establish a trade training facility</b></p>	<ul style="list-style-type: none"> <li>● Establish a permanent trade training facility within existing market support institutions (ideally the chambers of commerce and business networks, as these have extensive membership) equipped with experts and trainers: <ul style="list-style-type: none"> <li>– Create a core team of experts through training of trainers programmes</li> <li>– Prepare advanced issue specific training materials (e.g., NLF, trade facilitation, quality standards and safety requirements), adjusted to the national context.</li> <li>– Prepare brief, easy to grasp issue specific brochures</li> <li>– Link the training facility with regional and international institutions providing similar services</li> <li>– Cooperate with specialized international training centres</li> </ul> </li> </ul>
<p><b>Develop the National Trade Facilitation Committee and equip it with a permanent secretariat</b></p>	<ul style="list-style-type: none"> <li>● Establish detailed terms of reference for the Committee, including cooperation mechanisms with existing bodies (e.g., IC and NEC) and interagency coordination mechanisms<sup>1</sup> to avoid duplication. In so doing, the Government may consider drawing on the experiences of other countries and seeking the support and advice of specialized agencies.</li> <li>● Successful experiences suggest that the private sector's support could be best ensured if the committee has an executive board that brings together representatives of public and private sector stakeholders, including traders. The Board would be responsible for overall strategic guidance, mobilizing resources and supervising the secretariat.</li> <li>● Successful experiences show that while State support is important, sustainability could be best achieved if the committee has its own revenue sources. As such, it is important to decide on the type of services that the committee could provide during the design phase.<sup>2</sup> Experience also suggests that sustainability could be best achieved if the committee is hosted within an existing institution with well-established revenue sources.</li> <li>● Equip the committee with a benchmarking and monitoring tool to assess progress in removing regulatory and procedural barriers to trade (the trader database consolidated as part of this study provides a useful starting point).</li> </ul>

<sup>1</sup> In 2015, inter-organizational cooperation was ensured through a standing Institutional Working Group (TWG) that was established in 2010 pursuant to Prime Minister's Order No. 133 of 28.6.2010. Initially designed to support the first Trade Policy Review process in WTO, the IWG was transformed into a permanent working group for coordinating trade policy across line ministries. As highlighted by the Ministry of European Integration, the TWG's work was undermined by a too broad a scope, so that it cannot respond to the pressing concerns of trade policy coordination. It also does not feature representatives from the private sector, thus, missing a key counterpart for consultation and coordination. Source: Ministry of European Integration of the Republic of Albania to the EU-Albania Stabilization and Association Committee, dated 11 March 2015.

<sup>2</sup> See, UNCTAD (2006) Trade Facilitation Handbook, Part I, National Facilitation Bodies: Lessons and Experiences.



## 2. Outstanding needs and recommendations for rationalizing and standardizing information requirements

Outstanding needs	Recommendations
<p><b>Address instances of repetitive submission of similar or identical information</b></p>	<ul style="list-style-type: none"> <li>● Reduce the documentary requirements for inbound consignments shipped by road:               <ul style="list-style-type: none"> <li>– Limit the number of documents that should be accompanied by notarized translation.</li> <li>– For technical documents, such as laboratory test results, establish guidelines as to the essential information that needs to be translated into Albanian.</li> <li>– Traders transporting truckloads containing the same product should be waved from the repetitive submission requirement.</li> </ul> </li> <li>● EUR1 certificates should be recognized as a CoO as per established practices and rules. Departure from this rule should be kept to the minimum.</li> </ul>
<p><b>Address the lack of clarity over documentary requirements</b></p>	<ul style="list-style-type: none"> <li>● Publish a complete list of documentary requirements for products subject to mandatory regulations, along with detailed instructions and associated prices, and inform traders, through the media, and via customs alerts on changes to this list.</li> </ul>
<p><b>Help traders comply with labelling requirements</b></p>	<ul style="list-style-type: none"> <li>● Establish a national help desk for enabling importers to fulfil regulatory requirements, including bargaining with international suppliers to provide labels in Albanian (where possible) and providing translation services. This is an area that can be handled by the national trade facilitation committee.</li> </ul>
<p><b>Establish a strategic framework for ensuring greater use of electronic documents and guiding the establishment of a SW facility</b></p>	<ul style="list-style-type: none"> <li>● The strategic framework should be based on:               <ul style="list-style-type: none"> <li>– A technical paper detailing the institutional requirements, including information, communication and technology systems, for reconciling the definition and formats of data elements associated with fulfilling all import, export, and transit-related regulatory procedures in a manner that would ensure the elimination of redundant data and duplication in exchanging and recording information. The technical paper could be prepared using the UN Data Harmonization and Modelling Guide for Single Window Environment.<sup>3</sup></li> <li>– Undertake a comprehensive cost-benefit analysis, including a proper comparison with other options, and a regulatory impact assessment, before any further work is done</li> </ul> </li> <li>● Create a core team of SW experts within the Customs authority and relevant State institutions</li> <li>● Establish testing and confirmation bodies to support the implementation of the electronic signatures.</li> </ul>

<sup>3</sup> The guide was developed by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in collaboration with UNECE and the United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UN-NEXT). The guide is available at: [http://unnex.unescap.org/tools/data\\_harmonization.asp](http://unnex.unescap.org/tools/data_harmonization.asp)

Outstanding needs	Recommendations
<p><b>Create a proper system for regulating customs brokers</b></p>	<p>A proper system for testing, training, licensing, accrediting, and monitoring customs brokers should be put in place, preferably in line with the ‘best practices model for licensing customs brokers’ promulgated by the International Federation of Customs Brokers Associations (IFCBA). This system should involve:</p> <ul style="list-style-type: none"> <li>– The licensing of applicant brokers by the GDC (subject to (i) their initially meeting a range of eligibility criteria, and (ii) their subsequently passing an examination).<sup>4</sup></li> <li>– Training for applicant brokers, by the brokers association (if re-established), to prepare them for that examination).</li> <li>– Joint preparation of the exam by the GDC and the brokers association, but its administration solely by the customs authority.</li> <li>– Continuous professional/ technical training for brokers, once licensed; and</li> <li>– Further improvement of the industry standards of professional practice by the brokers association by adopting new methods for training, licencing and monitoring; and, establishing periodical assessments (through tests) of custom brokers</li> </ul>
<p><b>Improve the overall institutional set-up for regulating trade in pharmaceutical products</b></p>	<ul style="list-style-type: none"> <li>● The Drug Pricing Commission may need technical assistance to build capacity to use reference pricing mechanisms.</li> <li>● The laws should ensure that Customs and the NADMD have the capacities in place and clear mandates to collaborate and perform these duties: Albanian Customs and the NADMD should be assisted to conduct systemic inspection, whereby stated CIF price is cross-checked against accompanying documents during the customs clearance process, including company contracts and bank transfer documents, to prevent document falsification. Inspections by NADMD and Customs officials should also use reference pricing from other markets to verify manufacturers’ stated costs.</li> <li>● Improve reference pricing mechanisms for similar drugs by increasing the number of countries against which systematic comparisons are made.</li> <li>● Consider the adoption of a single consolidated margin for at least main imports instead of the applied mark-up scheme. Given the limited competition in the Albanian market, there is an incentive for traders to keep the CIF high and to extract the highest margin permitted. Several sources interviewed for this study stated that there would be more price competition if importers, distributors, and retailers were left to negotiate how to divide the permitted mark-ups. Several importers also cited their inability to adjust prices midyear, in view of currency exchange fluctuations.</li> <li>● Ensure due implementation of CoM Decision No. 348 of 25 May 2016, 105/2014</li> <li>● Improve coordination between the different bodies within the MoH, so as to ensure seamless issuance of import permits and product registration.</li> </ul>

<sup>4</sup> Based on current legislation, licensing of customs brokers is provided following the successful completion of the training course and required test (carried out by the Directorate General of Customs). The training is provided by Customs in close collaboration with the National Association of Albanian Brokers.

### 3. Outstanding needs and recommendations for improving border control

Outstanding needs	Recommendations
<b>Improve weighing practices at BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>● Equip BCPs and inland terminals with modern weighing instruments</li> <li>● Establish detailed guidelines on weighing and measurement practices, which draw on international best practices and train inspectors on the use of these guidelines</li> <li>● Introduce the International Vehicle Weight Certificate (Annex 8 of UNECE International Convention on the Harmonization of Frontier Controls of Goods).</li> <li>● Equip BCP with weight and dimensions control stations, equipped with camera systems, digital panel/screen showing measured weight and registration plate. Where stations are not feasible (e.g., for lack of space), consider establishing mobile weight and dimension stations, equipped with weighing platforms. Customs has to allocate specific financial resources for this purpose.</li> </ul>
<b>Reconsider working hours at main BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>● Consider amending the Customs internal regulations so as to allow for extending the working hours at main BCPs and inland terminals.</li> <li>● Introduce scheduling systems that allow for multiple shifts, whereby break times are sequenced according to well defined periods to ensure the continuity of customs services.</li> </ul>
<b>Abolish unnecessary fees</b>	<ul style="list-style-type: none"> <li>● The contract with a private company that permits every single consignment entering or leaving Albania to be charged for notional scanning should be urgently reviewed and revised. The charges made are a hidden tax on importers and exporters, which is not based on law and should be, therefore, discontinued.</li> <li>● The amount of excise tax on packaging should be revised, as it unnecessarily increases the tax burden on both traders and consumers.</li> </ul>
<b>Abolish unnecessary physical control measures</b>	<ul style="list-style-type: none"> <li>● Consider amending existing laws, with a view to repeal articles that provide the ground for carrying out unnecessary physical inspection.</li> <li>● Abolish current practices which contradict with the countries commitments under the GATT agreement on transit; the International Convention on Harmonization of Frontier Controls of Goods; and the TIR Convention (e.g., physical control for calculating the amount of excise duty on packaging; unnecessary drawing of several samples; unnecessary testing of inbound cargo accompanied by internationally recognized test results and other certificates)</li> <li>● Introduce the necessary legislation to allow importers to conduct a second, independent tests for phytosanitary and non-animal food products in cases of dispute</li> </ul>

<sup>5</sup> Scanning fees were reduced pursuant to Law No 74/2015 of 9.07.2015 "On approval of agreements between the Ministry of Finance, as the contracting authority, and companies "S2 Albania" l.t.d and "Rapiscan Systems" INC "On the settlement by negotiation of disagreements" and "On amendment of the concession agreement". In addition, the law stipulates that traders should be charged more than once for scanning their consignments.

Outstanding needs	Recommendations
<b>Address shortfalls in customs valuation processes</b>	<ul style="list-style-type: none"> <li>● Ensure strict application of the WTO Valuation Agreement. This requires that, in every case, the customs value of imported goods be calculated using Method 1 (the transaction value method) first, with the other methods being applied in sequence only if a value cannot be determined under the previous method.</li> <li>● Ensure strict application of legal provisions concerning the response time to tax appeals.</li> <li>● Accord priority to improving the existing system to allow for the provision of advance rulings (including binding rulings) in relation to tariff classification, origin of goods, and valuation.</li> <li>● Publish up-to-date information on changes in HS codes.</li> </ul>
<b>Consolidate risk based control management systems and techniques</b>	<ul style="list-style-type: none"> <li>● Assistance should be provided to GDC in developing the AEO scheme, which concentrates on customs simplifications for reliable traders. The emphasis should be placed on complementing risk management. Measures should be rapidly put in place to select and approve AEOs properly, thus giving real assurance that the cargo can be subjected to minimal intervention at the frontier and inland, with subsequent post-clearance controls (see below) to ensure compliance, and re-appraise risk. Simplified procedures such as reduced documentary requirements, pre-arrival/ departure declarations, release of cargo before payment, deferred payment and accounting should be progressively introduced as GDC confidence in its risk-based judgments increases.</li> </ul>
	<ul style="list-style-type: none"> <li>● In parallel, and with an eye to creating synergy with the AEO scheme, the GDC post-clearance control/ audit function should be developed to allow for undertaking systems-based trader audits. Such audits should allow for considered examination of commercial processes and systems underpinning the duty declared at importation. They should also allow GDC to use the findings to review previous risk-based judgments, and if necessary adjust the parameters in the risk management system.</li> <li>● The idea of utilizing the (pre-configured) ASYCUDA World 'Blue Lane' in the ICIS, in order to route certain import consignments initially for a post-clearance audit (PCA) "desk audit" and then, if considered necessary, for a follow up visit to the trader's premises, should be dropped. Its focus is clearly on transactions, and as such undermines the trader-centric, systems-based approach to control that PCAs are meant to establish.</li> <li>● Establish procedures and manuals for guiding audit visits, as these are essential for AEOs and PCC function. The focus should be on ensuring that the audits elicit the information needed to decide on the level of risk represented by business operations, and the level and type of customs control that should be applied. This approach is more efficient and effective than the current one, whereby at the point of deciding on the criteria by which consignments should be routed through the 'Blue Lane', there is insufficient information to rely upon – and a very real possibility arises that the system captures consignments that should be allowed to be routed through the green channel, and, even worse, elements of customs declarations – valuation, for instance – that the GDC is traditionally suspicious about.</li> </ul>

Outstanding needs	Recommendations
	<ul style="list-style-type: none"> <li>● A thorough review of the risk parameters and profiles in the ICIS should be undertaken, with a view to establishing a prompt, meaningful and lasting overall increase in the percentage of cargo assigned to the green channel, and a decrease in that assigned to the yellow and red channels. The review should be conducted with the principles of trade facilitation in mind, as well as the national effort to improve the business climate. Remote and spurious risks should be left out, and high risks should be justified with concrete historical data. Local risk profiles should be developed for individual customs control points to reflect the specific control environment at each, and the results of their practical application should be progressively used to update and adjust the central risk management system.</li> <li>● The implementation of new procedures, such as pre-arrival processing, requires knowledge of the options and the conditions related to the new procedure. This requires training courses for Customs staff and if possible the trading community as well, including carriers and clearing agents</li> </ul>
	<ul style="list-style-type: none"> <li>● Consolidate “NFA net” database, including through refining the classification of food producers and risk criteria, and train inspectors on its use.</li> <li>● Provide training to the NFA staff on risk assessment</li> </ul>
<b>Improve inter/intra-agency coordination at the operational level</b>	<ul style="list-style-type: none"> <li>● Set out procedures for ensuring prompt communication of vital information (such as permission to release the tariff code) between the Customs headquarters and regional offices.</li> <li>● Establish detailed guidelines and procedures for managing inbound and outbound traffic. The imperative for improving border facilities aside, the assignment of cargo to border and inland terminals should be based on a detailed analysis of traffic flow with a view to optimize the use of available facilities.</li> <li>● Complement the IBM strategy with a manual detailing the procedures and sequence associated with pre-border, at the border and post border control.</li> <li>● Consider linking the IT systems of border control agencies to support prompt information sharing. Alternatively consider consolidating a common database that could be accessed by all the agencies.</li> <li>● Improve coordination and regular information exchange between border control agencies and (behind the border) regulatory bodies. This could be addressed within the context of ongoing efforts to develop the market surveillance function (Chapter 4).</li> <li>● Provide intensive training for decision makers as well middle and lower management staff on the different aspects of trade facilitation, and its implications for their everyday work.</li> </ul>
<b>Reduce the financial burden of traders</b>	<ul style="list-style-type: none"> <li>● Accord priority to providing interest rates on delayed VAT refunds as established by law</li> <li>● Ensure diligent implementation of Law 91/2015, which defines a maximum VAT reimbursement period of 30 days.</li> <li>● This could be achieved by introducing preferential treatment for taxpayers with a sound compliance history, such as automatic refunding. As a first step, the tax authorities, in collaboration with Customs could establish a monitoring system, with clear indicators and risk-profiles of VAT-registered companies</li> <li>● Accord priority to reforming the customs guarantee system, as established by the new Customs Code.</li> </ul>

<sup>6</sup> World Bank (2014) Regional Transport Study (REBIS update) Maritime and inland port capacity estimation for the countries of Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Albania.

#### 4. Outstanding needs and recommendations for developing transport infrastructure and logistic services

Outstanding needs	Recommendations
<b>Abolish unnecessary fees</b>	<ul style="list-style-type: none"> <li>The arrangement by which truck drivers are charged for parking their vehicles at BCPs whilst awaiting routine checking of their paperwork and customs clearance should be abolished.</li> </ul>
<b>Improve overall road safety</b>	<ul style="list-style-type: none"> <li>Consider joining the UNECE Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles. The agreement provides the basis for the harmonisation vehicle technical safety and emissions standards, including for heavy vehicles.</li> <li>Roads serving national traffic could benefit from more emphasis on road rehabilitation and improvement in safety characteristics.</li> <li>Establish congestion mitigation strategies, which feature</li> </ul>
<b>Equip Durrës and Vlorë ports with modern facilities and basic infrastructure</b>	<ul style="list-style-type: none"> <li>Consolidating the basic infrastructure of the Port of Durrës through expanding the container terminal yard, increasing storage facilities, in addition to modernizing the berths and administrative buildings. Development priorities for the Port of Vlorë include the expansion of the parking area and storage facilities.<sup>6</sup> These measures have been well documented and remain pertinent.</li> <li>Assist port authorities in developing port traffic management strategies and plans.</li> <li>The Government needs to allocate more resources for the purpose of addressing the above-mentioned capacity needs.</li> </ul>
<b>Improve facilities at BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>The reconstruction or refurbishment of BCPs should feature special focus on basic infrastructure for clearing perishable goods, including (i) adequate facilities for physical inspection of cargo; and (ii) refrigeration points for perishable cargo; and (iii) quarantine facilities at or close to BCPs. In addition, proper office accommodation (rather than portcabins) should also be provided for NFA officials.</li> </ul>
<b>Improve the bargaining position of Albanian shippers</b>	<ul style="list-style-type: none"> <li>Consider establishing a national shippers council to assume the function of negotiating favourable rates with international transport operators.</li> </ul>

#### 2. Outstanding needs and recommendations for facilitating transit trade

Outstanding needs	Recommendations
<b>Harmonizing customs control procedures between Albania and Kosovo</b>	<ul style="list-style-type: none"> <li>Accord priority to supporting the implementation of trade facilitation and other provisions under the Framework Agreement for Cooperation in the Promotion and Facilitation of Trade between the two countries</li> </ul>
<b>Rehabilitate existing rail lines</b>	<ul style="list-style-type: none"> <li>Existing traffic levels remain insufficient to justify anything other than rehabilitation of existing lines or limited and localised improvements below AGTC standards.</li> </ul>

## II. Regulatory Cooperation and Standardization Policies

### 1. Outstanding needs and recommendations in the area of technical regulation

Outstanding needs	Recommendations
<b>Build a core team of experts in the field of technical regulations in relevant line Ministries and State agencies.</b>	<ul style="list-style-type: none"> <li>● Train staff in agencies responsible for drafting technical regulations on legal, administrative and technical issues. Special emphasis should be accorded to familiarizing staff on EU Directives.</li> <li>● Prepare a reference RIA methodology for capturing the implications of the harmonization process for the different industrial sectors, and train staff on its use.</li> </ul>
<b>Ensure proper implementation of existing and draft technical regulations</b>	<ul style="list-style-type: none"> <li>● Establish the required corresponding administrative procedures for guiding the implementation of harmonized technical regulations</li> </ul>
<b>Improve existing coordination and oversight mechanisms</b>	<ul style="list-style-type: none"> <li>● Establish an electronic national database of existing technical regulations with explanatory brochures on their implications for the enterprise sector.</li> <li>● Address instances of unclear demarcation of responsibilities between line Ministries</li> </ul>
<b>Ensure broad participation of business community</b>	<ul style="list-style-type: none"> <li>● Organize awareness raising activities to familiarize the concepts and basic tenets of technical regulations, including the use of harmonized standards in technical regulations</li> <li>● Establish procedures for discussing draft technical regulations with the private sector. These discussions should also feature a special focus on the implication of the draft regulations for the enterprise sector and the economy as a whole. In addition to MEDTTE, Chambers of Commerce and Industry and the Trade facilitation Council/Committee should be used a platform for soliciting the private sector's feedback.</li> <li>● Establish mechanisms to enable enterprises to report the challenges they face in fulfilling the new legislative requirements.</li> </ul>

### 2. Outstanding needs and recommendations in the area of standardization

Outstanding needs	Recommendations
<b>Strengthen DPS standard-setting function</b>	<ul style="list-style-type: none"> <li>● Translate the adopted ENs into Albanian</li> <li>● Establish a training facility within DPS on the different aspects of standard-setting activities, the use of harmonized standards in technical regulations and their implications for Albania. This facility should be also charged with the task of preparing detailed notes for informing the work of the technical committees.</li> <li>● Assist DPS in completing the requirements for becoming a full member in ISO, IEC, CEN and CENLEC. In this context, DPS should be provided with the required resources (both financial and human resources) to participate in the activities of regional and international standardization bodies.</li> </ul>

### 3. Outstanding needs and recommendations for developing conformity assessment, accreditation and product certification

#### III. Accreditation

Outstanding needs	Recommendations
<b>Allocate the required financial and human resources to support DPA's participation in European and international activities and processes</b>	<p>DPA should be enabled to ensure regular participation in the below activities:</p> <p><i>EA</i></p> <ul style="list-style-type: none"> <li>● Laboratory Committee</li> <li>● Inspection Committee</li> <li>● Certification Committee</li> <li>● Harmonization Committee</li> <li>● Multilateral Council</li> <li>● Communication and Publication Committee</li> <li>● General Assemblies</li> </ul> <p><i>ILAC</i></p> <ul style="list-style-type: none"> <li>● Arrangement Committee</li> <li>● Accreditation Committee</li> <li>● Laboratory Committee</li> <li>● Inspection Committee</li> <li>● General Assemblies</li> </ul> <p><i>IAF</i></p> <ul style="list-style-type: none"> <li>● Technical Committee</li> <li>● MLA Committee</li> <li>● General Assemblies</li> </ul>
<b>Strengthen DPA with the required expertise skills</b>	<ul style="list-style-type: none"> <li>● Equip DPA with the required capacities to provide accreditation services in the area of verification based on EN/ISO 14065.</li> <li>● Consolidate the institutional capacities of DPA with technical experience in all EA, ILAC MLA areas. The starting point would be to provide advanced training for staff, including coaching, on the implementation of ISO standards (SSH ISO/IEC 17065, 17020, 17021, 17024, 17025, 15189 and SSH EN 45011)</li> <li>● Provide advanced training to staff on the use of EA, ILAC and IAF reference document materials (guides).</li> <li>● Enter into twinning projects with EA-MLA member accreditation bodies for gaining first-hand experience, especially the development of accreditation schemes</li> </ul>

#### IV. Conformity assessment bodies

Outstanding needs	Recommendations
<b>General</b>	<ul style="list-style-type: none"> <li>● Establish a single centralized inventory of CABs.</li> <li>● Assist testing laboratories implement ISO 17025.</li> <li>● Establish testing laboratories for heavy metals, including in air and water</li> </ul>



Outstanding needs	Recommendations
<p><b>Consolidate FSVI laboratories with the required expertise skills and equipment</b></p>	<ul style="list-style-type: none"> <li>● Training on the implementation of EU Regulation No. 2073/2005 “regards microbiological criteria for sprouts and the sampling rules for poultry carcasses and fresh poultry meat” (and subsequent amendments as established under EU Regulation 209/2013)</li> <li>● Training on the implementation of the below ISO standards: <ul style="list-style-type: none"> <li>– ISO 7932:2004 “Microbiology of food and animal feeding stuffs”</li> <li>– ISO/TS 13136:2012 “Microbiology of food and animal feed”</li> <li>– ISO 11290-2:1998 “Microbiology of food and animal feed - Real-time polymerase chain reaction (PCR)-based method for the detection of food-borne pathogens -- Horizontal method for the detection of Shiga toxin-producing Escherichia coli (STEC) and the determination of O157, O111, O26, O103 and O145 serogroups”</li> <li>– ISO 10272-1:2006 “Microbiology of food and animal feeding stuffs -- Horizontal method for detection and enumeration of Campylobacter spp. -- Part 1: Detection method”</li> </ul> </li> <li>● As the Government proceeds to address capacity needs in the area of food testing listed in table 4.5, priority should also be given to address the following capacity needs: <ul style="list-style-type: none"> <li>– Serology testing laboratories: training on the diagnosis of Brucellosis with RB strain, enzyme-linked immunosorbent assay (ELISA) and serum tube agglutination test (SAT); equipment: digital thermometer, water bath, ELISA reader and plate shakers.</li> <li>– Testing for salmonellosis in poultry: training of staff; accreditation of the methods used; equipment (Bio Safety Cabinet, centrifuge, incubator).</li> <li>– Animal Viral Disease testing: training on new methods of diagnosis of Animal Viral Disease and equipment (e.g., inverted microscope and centrifuge with cooling).</li> <li>– Avian Influenza and Newcastle Disease testing: advanced training is needed for staff.</li> <li>– Cell Culture testing: training on Cytology and equipment (magnetic stirrer, refrigerate and water bath).</li> <li>– Histopathology testing: training and equipment (Cryostat and a digital microscope with camera).</li> <li>– Bovine Spongiform Encephalopathy (BSE) testing: training for the diagnosis of Bovine Spongiform Encephalopathy disease.</li> <li>– Food borne parasites testing: training and equipment for the detection of Anisakis in fish and aquaculture products as well as for detection of the Trichinelosis in pigs.</li> <li>– Training on fish disease diagnosis and equipment for the Ciguatoxin testing, including: automatic Kjeldahl, centrifuge, safety box, ultraturax, SPE-Baker Manifold and Micropipettes and consumables.</li> <li>– Training on the Flotation methods used for different parasites detection. Basic equipment is also needed.</li> <li>– Training on the mycology diagnosis; validate and accredit testing methods used; and equipment, including: Bio Safety Cabinet, weight, binocular microscope, centrifuge, incubator, MC master slides, Berman apparatus, magnetic stirrer, different bakers (2L, 3L).</li> </ul> </li> <li>● Fulfil requirements for membership in International Seed Testing Association( ISTA), which will enable national laboratories to issue ISTA International Seed Analysis Certificate</li> </ul>

## V. Market surveillance

Outstanding needs	Recommendations
<p><b>Establish an enforcement policy document for guiding the work of the newly established Inspectorate<sup>7</sup> for Market Surveillance</b></p>	<ul style="list-style-type: none"> <li>● The document should spell out the principles inspectors should apply when determining what enforcement action to take in response to breaches of health and safety legislation. Such principles should emphasize abandoning direct market interference measures in favour of controlling competition infringements, general product safety, and information given to the consumers; move beyond the prevailing singular focus on the inspection function to addressing the all-important guidance function that enterprises need to ensure adherence to mandatory safety requirements; ensure that enforcement action is be proportional to the health and safety risks and the seriousness of the breach.</li> </ul>
<p><b>Establish internal procedures for guiding the Inspectorate's work</b></p>	<p>Such procedures should provide guidelines for, among others:</p> <ul style="list-style-type: none"> <li>● Following up on complaints or reports on issues relating to risks arising in connection with products that are the subject of a technical regulation</li> <li>● Monitoring accidents and harm to health which are suspected to have been caused by those products</li> <li>● Verifying that corrective actions have been taken</li> <li>● Ensuring the consistency surveillance activities and avoid duplication of sanctions in cases where there is more than one regulator involved.</li> <li>● Ensuring 100 percent recall of products that are found to pose risks to consumer safety, animal health and the environment</li> <li>● Maintaining registers of enforced health and safety enforcement notices</li> </ul>
<p><b>Establish procedures for supporting the Inspectorate's collaboration with other agencies</b></p>	<p>Such procedures should spell out the scope of interagency cooperation, and provide guidelines for enforcement. Key areas include, among others:</p> <ul style="list-style-type: none"> <li>● Application of risk assessment procedures.</li> <li>● Sharing of checklists and instructions.</li> <li>● Selection of products that fall into the domain of several agencies and organization of joint actions in testing and analysing these products</li> <li>● Selection of testing laboratories</li> <li>● Sampling of products and the procedures for sharing and discussing the results and findings</li> <li>● Exchange of information on unsafe products (product identification data) found on the markets.</li> <li>● Exchange the information on the measures taken and follow up actions</li> <li>● Application of joint actions for products imported from third countries</li> </ul>
<p><b>Consolidate the inspection capacity of NFA and line ministries</b></p>	<ul style="list-style-type: none"> <li>● Establish a management manual to help inspectors make decisions in line with enforcement policy.</li> <li>● Expand the pool of trained onsite and post market inspectors in NFA and line ministries. The inspectors should be trained on risk analysis, law enforcement, risk communication and consumer awareness as well as on the implementation of the manual</li> <li>● Assist the NFA in designing the criteria and methodologies necessary for informing its Scientific Committee's decisions on risk assessment and market surveillance</li> </ul>

<sup>7</sup> MEDTTE has approved two documents guiding the work of the Inspectorate: Instruction No. 177, dated 26.12.2013 "On methods of risk classification and serious risk assessment" and Order No. 305, dated 30.05.2014 "On standard operational procedures for the activity of market surveillance, obligatory for all market surveillance structures".

Outstanding needs	Recommendations
<b>Create the required systems for supporting the market surveillance function</b>	<ul style="list-style-type: none"> <li>● Establish a national database of non-food products to support market surveillance</li> <li>● Create mechanisms to allow for sharing information generated from AKUnet among all market surveillance agencies.<sup>8</sup></li> <li>● Establish traceability systems for priority products. Product selection should be based on a cost-benefit analysis of the required institutional arrangements, hardware and software requirements, costs of operation and roles of the public and private sectors.</li> </ul>
<b>Assist enterprises in complying with EU requirements</b>	<ul style="list-style-type: none"> <li>● Assist manufacturing enterprises in adopting internationally recognized standards, starting with ISO 9001:2000 and ISO 14001:2004.</li> <li>● Increase the SMEs access to external sources of finance (e.g., credit guarantee systems, structured finance for farmers and food producers, etc.)</li> <li>● Help food producers introduce safety management systems based on HACCP and GMP principles.</li> <li>● Establish collection points for agricultural produce in key regions, including Elbasan, Vlore and Fier.</li> </ul>

## VI. Outstanding needs and recommendations for developing the metrology system

Outstanding needs	Recommendations
<b>Improve the control function for pre-packaged goods</b>	<ul style="list-style-type: none"> <li>● DPM should be provided with equipment and training to conduct quality control of locally produced pre-packaged goods.</li> </ul>
<b>Strengthen existing laboratories with the necessary requirements to obtain international recognition</b>	<ul style="list-style-type: none"> <li>● The laboratories should be equipped with the required equipment and expertise skills (See Annex 2, Table A2.8)</li> <li>● Assess the feasibility of establishing laboratories in the fields of time and frequency, torque, hardness, acoustics, ultrasound, ionizing radiation, photometry and radiometry</li> <li>● Implemented quality management system according to international requirements (ISO/IEC 17025) for all the calibration laboratories in all fields covered by DPM</li> <li>● Provide the required funding and assistance for: <ul style="list-style-type: none"> <li>– Development and maintenance of the measurement standards.</li> <li>– Training of staff on general metrology issues and laboratory.</li> <li>– Participation in inter-laboratory comparisons</li> <li>– Participation in the activities of regional bodies and the CIPM MRA</li> <li>– Ensuring appropriate environmental and climate conditions for measurement standards (e.g. UPS, fuel for generator and AVR system),</li> <li>– Introduction of modern management information systems</li> <li>– Development and Implementation of calibration / verification procedures</li> </ul> </li> </ul>

<sup>8</sup> Thus far, the information is only circulated among MARDWR departments and laboratories.

# Chapter One

## Introduction

### 1.1 Country background

Located on the west side of the Balkan Peninsula, Albania is a small country, which covers a total area of 28,748 square kilometres, with mountains and hills making up around 70 percent of the country. It has a coastline on the Adriatic Sea and the Ionian Sea, which runs 418 kilometres in total length and is bordered by: Montenegro in the north-west; Serbia and Kosovo<sup>9</sup> in the north-east; the Former Yugoslav Republic of Macedonia (FYROM) in the north and east; and, Greece in the south and south-east. The country is endowed with rich agricultural lands and favourable climate conditions, in addition to substantive reserves of mineral resources, including chromium, copper, nickel, coal, bauxite and iron ore.

Albania stands among the most successful transition experiences from centralised forms of economic management. Its journey towards a market-based system commenced in earnest following the establishment of the Republic of Albania in 1991. The then new Government implemented a sweeping reform effort, which featured trade liberalization along with price and exchange liberalization as well as rapid privatization of state-owned enterprises and agricultural land.<sup>10</sup> It also pursued common economic policies with its neighbouring European countries through a series of agreements, which, starting with the Trade and Co-operation Agreement in 1992, set the context for integrating the country into the EU.<sup>11</sup>

These reforms bore fruit in the form of increased private sector contribution to gross domestic product (GDP) and job creation, which stood at 80 per cent and 76 per cent in 1998, respectively. The private sector accounted for 78 percent of exports during the said year.

These achievements were crowned with membership in the World Trade Organization (WTO) and, most recently, the receipt of European Union candidate status,<sup>12</sup> which came in addition to Albania's membership in the Central Europe Free Trade Agreement (CEFTA) and the free trade agreements with the European Free Trade Association (EFTA) and Turkey.<sup>13</sup>

Subsequent years saw Albania transformed from one of the poorest countries in the Balkan region into an upper-middle income country, with a gross national income (GNI) per capita of USD 4,450 in 2014 up from USD 3,207 in 1980.<sup>14</sup> However, these positive growth rates are not sustainable. The economy remains incapable of generating enough jobs for the growing labour force. It also remains incapable of generating enough revenues for covering imports and the required savings for financing investments.

These structural weaknesses reflect a weak productive capacity and manifest themselves, not only in the form of chronic deficits and high unemployment rates, but also in a continued reliance on labour migration as a key adapting strategy for households and an important source of public revenues, with

<sup>9</sup> All references to Kosovo in the present document should be understood in full compliance with United Nations Security Council resolution 1244 and without prejudice to the status of Kosovo

<sup>10</sup> Albania's approach to establishing a market-based economy is commensurate with a "shock therapy", in that it did not involve a sequencing of economic liberalization measure. For a detailed discussion of this approach, see for example, (EBRD) European Bank for Reconstruction and Development (1999) "Transition Report: Ten Years of Transition, Economic Transition in Central Eastern Europe, the Baltic States and the CIS".

<sup>11</sup> Further information on Albania's regional integration efforts is provided throughout the study. A detailed account of the country's relations with the EU is available at: <http://ec.europa.eu/enlargement/countries/>

[detailed-country-information/albania/index\\_en.htm](#)

<sup>12</sup> Albania joined the WTO on 8 September 2000, and received the EU Candidate status on 24 June 2014.

<sup>13</sup> CEFTA brings together the seven countries of Albania, Macedonia, Montenegro, Kosovo, Moldova, Serbia, and Bosnia and Herzegovina. EFTA member States include Iceland, Liechtenstein, Norway, and Switzerland. Albania's agreement with CEFTA entered into force in 2007. The agreement with EFTA was signed on 17 December 2009 and entered into force in 2010. The agreement with Turkey was signed on 22 December 2006 and entered into force in 2008.

<sup>14</sup> (UNDP) United Nations Development Programme (2014) Human Development Report (for GNI per capita in 1980) and the World Bank Database (for GNI in 2014).

the neighbouring country of Greece constituting the main source of employment followed by Italy. Personal remittances accounted for around 14 percent of GDP during the period 2000-2008, even as workers were engaged seasonally (in agriculture) or on a temporary basis (mainly in construction).<sup>15</sup>

Moreover, since 2009, Albania's real GDP annual growth rates have stagnated at less than 4 per cent under the weight of the economic crisis in the EU and beyond. The economy has been unable to achieve the previous 2004 – 2008 average annual growth rate of 6 percent in real GDP, so that unemployment increased from 13 percent in 2008 to 17.3 percent by mid-2015. Unemployment rates were particularly high among the youth belonging to the age group 15-29 years, reaching an estimated 34.2 percent, with adverse consequences for poverty levels.<sup>16</sup>

Around 1.2 percent of the population were found to be multi-dimensionally poor in 2009, suffering from multiple deprivations in education, health and living standards, and another 7.2 percent were near multi-dimensional poverty. The breadth of deprivation in Albania, which is the average of deprivation scores experienced by people in multidimensional poverty, was 38.3 percent in 2009, while the Gini coefficient was estimated at 34.5 in 2013 with significant regional and urban/rural disparities.<sup>17</sup>

With GDP growing at 1.9 per cent in 2014 and the share of general government net debt in GDP increasing from around 63 percent in 2012 to 72 percent,<sup>18</sup> the need to diversify and expand exports is evident. This imperative is further accentuated by the dwindling personal remittances from

abroad, owing to the economic crisis in Greece and Italy. The share of personal remittances in GDP has stagnated between 8.3 and 8.7 percent since 2011, and stood at 8.5 percent in 2014.<sup>19</sup> The Government is also struggling to limit external debt, which accounted for 36.7 percent of GDP in 2014.<sup>20</sup>

It is against this background that this study was undertaken, pursuant to a request from the Government of Albania. The Government saw the removal of regulatory and procedural barriers as an important requisite for capitalizing on the growth opportunities generated by the extensive cooperation arrangements and favourable conditions accorded to Albanian traders at the regional and multilateral levels.<sup>21</sup>

The aim was to support a coherent treatment of trade facilitation and quality assurance issues using standards, guidelines and best practices recommendations developed by UNECE and other international organizations. The study used a comprehensive evaluation methodology, which was implemented within the context of a participatory approach, whereby relevant public and private sector stakeholders were approached to consolidate a common understanding of the issues at stake and how best to address them.

To set the context for the discussion of regulatory and procedural barriers to trade in the country, the remainder of this chapter provides an overview of the economy's structural features and trade performance along with a brief description of the evaluation methodology used in the study.

## Economic Structure

The transformation of the Albanian economy from a centrally planned to a market-based system was underpinned by structural transformation away from agriculture towards increased specialisation in services. As shown in figure 1.1, the share of services in GDP jumped from 15.9 per cent in 1990 to 62.38 in 2014, while that of agriculture shrank from 35.9 per cent to 22.67 per cent. Similarly, the share of the industrial sector decreased from 48.20 per cent to 14.95 per cent of GDP during the same period.

<sup>15</sup> World Bank (2009) *Moving Up the Ladder? The Impact of Migration Experience on Occupational Mobility in Albania*, Policy Research Working Paper No. 4908, World Bank Development Research Group Poverty Team. For an overview of Albania's migrant workers, see USAID (2012) *Study on the Economic Impact of the Greek Crisis in Albania*. USAID: Tirana

<sup>16</sup> World Bank Economic Indicators Database (for unemployment rates in 2008) and the Albanian Institute of Statistics (for unemployment rates in 2015).

<sup>17</sup> The multidimensional poverty index identifies multiple deprivations in the same households in education, health and living standards. For further details on this measure and the poverty conditions in Albania, see the United Nations Development Programme (2014) *Human Development Report- Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*. Gini coefficient estimations for Albania and other countries are available at: <http://data.worldbank.org>.

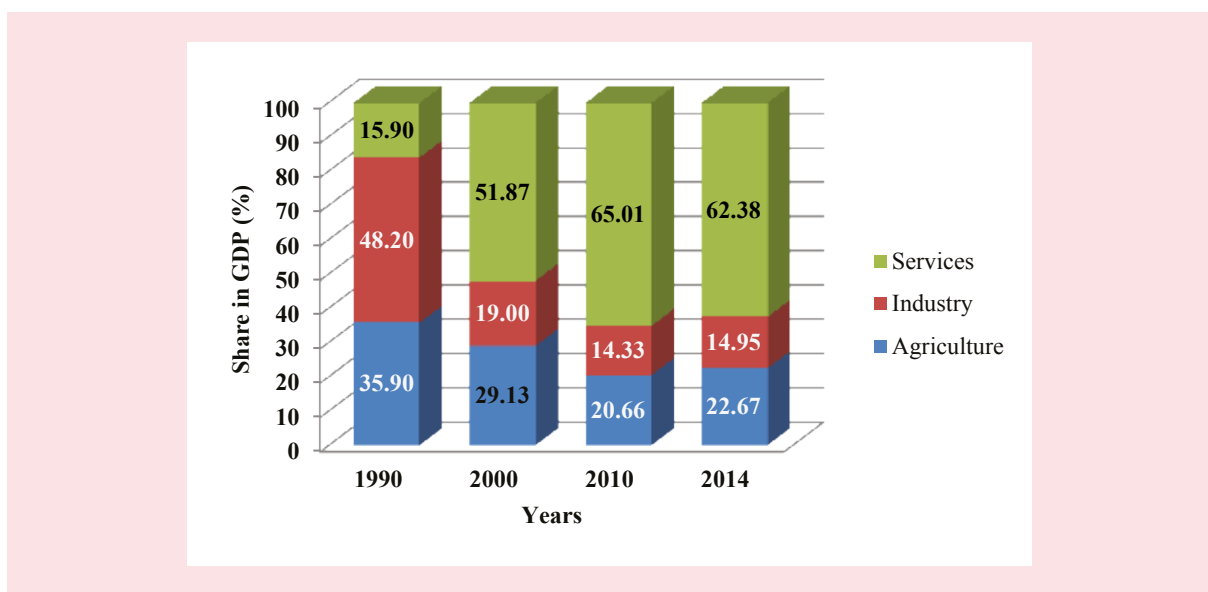
<sup>18</sup> IMF World Economic Outlook Database 2014; World Bank Economic Indicators Database.

<sup>19</sup> World Bank Economic Indicators Database.

<sup>20</sup> World Bank (2015) *Albania: World Bank Group Partnership- Program Snapshot*, April 2015.

<sup>21</sup> The Government's Business and Investment Development Strategy for the period 2014-2020, accords priority to removing these barriers.

Figure 1.1- The Albanian economy's structural transformation



Source: World Bank Development Indicators Database

However, this transformation was not driven by productivity improvements in the agricultural and industrial sectors. The two sectors remain held back by deep-seated structural weaknesses, which have been hindering the trickledown effect from higher income levels and increased international exposure. Agriculture is still driven by subsistence activities, which evolve around the cultivation of wheat, maize, sugar beet, potatoes, grapes, citrus fruits, olives, cotton and tobacco along with the breeding of cattle, sheep and pigs. These activities are predominantly labour intensive, rendering a continued reliance on agriculture for job creation (around 52 percent of

employment opportunities in 2013), and a situation whereby the majority of farms are unable to supply products that conform to international quality and safety requirements.<sup>22</sup>

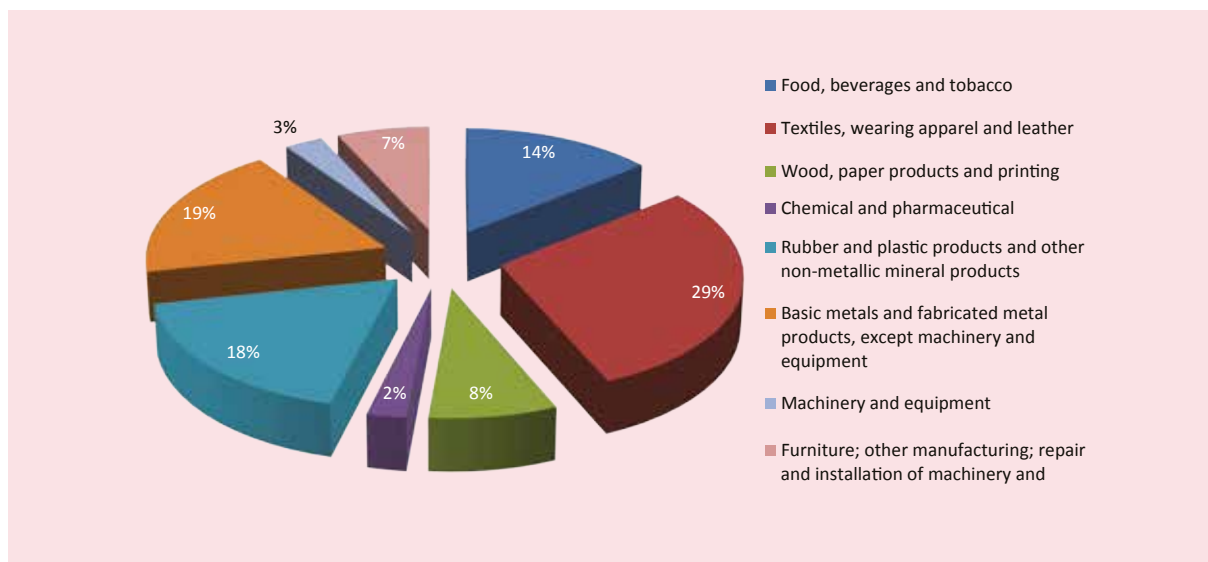
The industrial sector remains dominated by mining activities, which accounted for 50 percent of the sector's value added in 2013.<sup>23</sup> The manufacturing branch exhibits a narrow specialization in textiles and wearing apparel, along with basic metals, non-metallic mineral products and food and beverages, with the majority of enterprises persisting in labour intensive, low value-added activities (Figure 1.2).

<sup>22</sup> Government of Albania (2014) Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020.

<sup>23</sup> The Albanian Institute of Statistics at: <http://www.in-stat.gov.al/en/Home.aspx>



**Figure 1.2- Breakdown of Albania's manufacturing by activity (2013)**  
*As a percentage of total manufacturing value added*



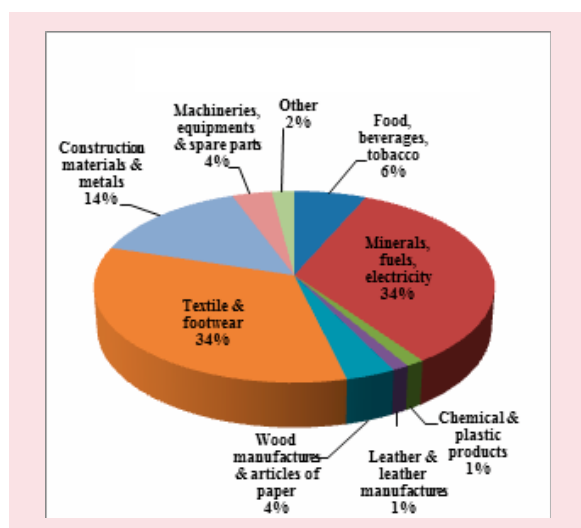
Source: Albanian Institute of Statistics

Enterprise representatives interviewed over the course of this study said that they were finding it difficult to upgrade and diversify their production lines, lacking the required financial support and discouraged by the cheaper imports flooding local markets. Compounding the impact of these competitive pressures have been the dynamics of labour markets in the Balkan region, which allow enterprises to compete based on price through flexible wages. Wage differences between the different countries continue to drive competition among enterprises, including international ones. This has meant that even as Albanian enterprises are integrated into global value chains, they are assigned labour-intensive activities, so that opportunities for the transfer of tacit knowledge and technological advancement are limited.<sup>24</sup>

**Trade performance**

The past decade has seen Albania’s exports register a significant transformation away from the heavy concentration on textiles and footwear. As shown in figure 1.3, the share of textiles and footwear was cut by half from around 65 per cent of total exports in

**Figure 1.3- Albania's industrial export mix, 2014**  
*(Percentage share in total exports)*

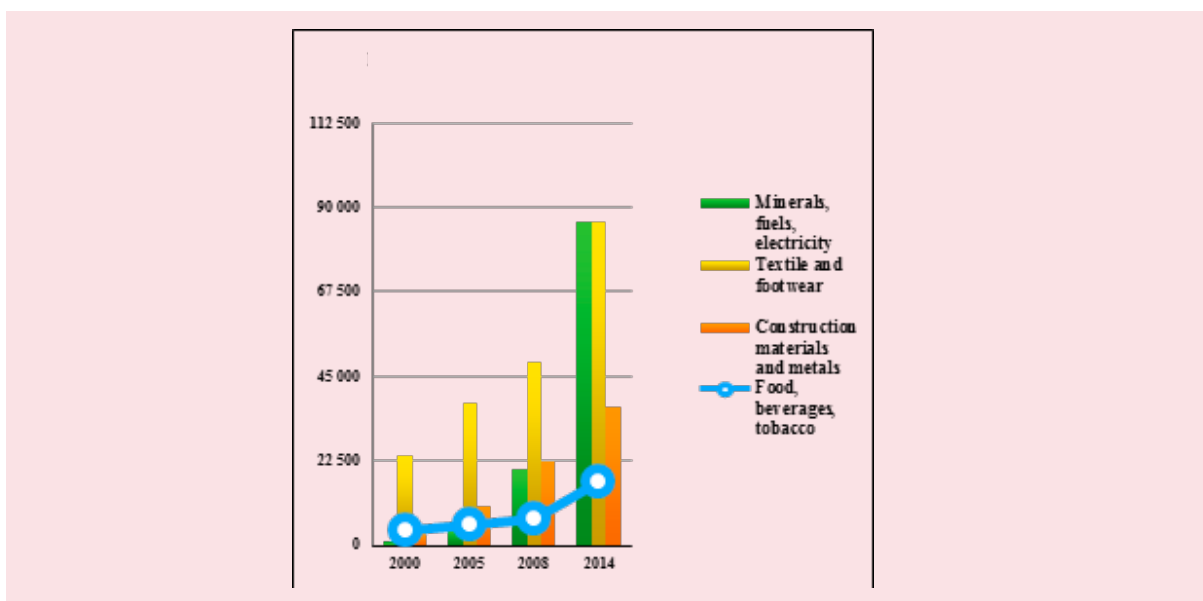


Source: Albanian Institute of Statistics

2000 to around 34 percent in 2014. These changes were underpinned by consistent export growth in the remaining sectors, particularly in minerals, fuels and electricity (Figure 1.4). These registered impressive growth to account for 34 percent of total

<sup>24</sup> This is particularly the case of textiles and apparel industry. For a detailed discussion of this industry's growth dynamics, see World Bank (2009) Building Albanian Competitiveness, Volume II, Main Report: Footwear, Tourism and Mining.

Figure 1.4- Albania's manufacturing exports 2000-2014 in million ALL



Source: Albanian Institute of Statistics

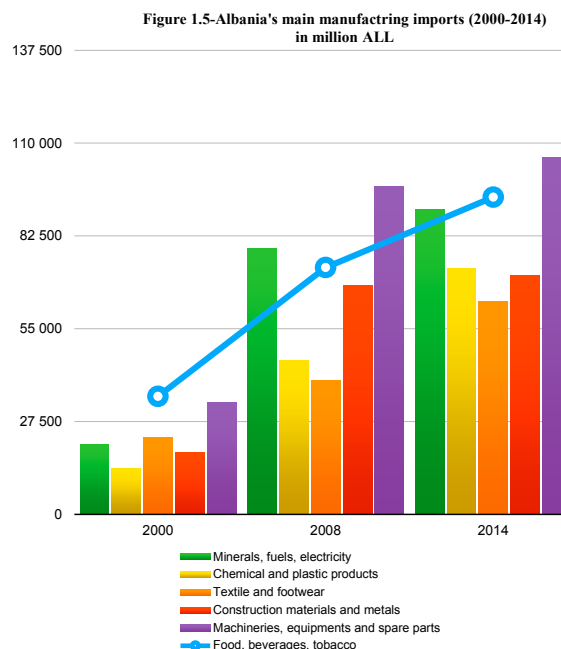
exports in 2014 up from around 3 percent in 2000 (Figure 1.3).<sup>25</sup>

However, gains from the surge in exports have been consistently undermined by a strong import bias, suggesting weak productive capacity. Indeed, as shown in figure 1.5, Albania is heavily reliant on foreign markets to cater for local demand of machinery and equipment, which has historically constituted the largest segment of total imports, as well as food, beverages, tobacco, minerals, fuels and electricity.

The industrial sector's weak productive capacity is further evidenced when examining the trade balance. As shown in figure 1.6, with the exception of textiles and footwear, all the manufacturing branches have been registering a negative trade balance.

Hence, a persistent trade deficit that was estimated at ALL 296,517 million in 2014 (equivalent to \$ 2,331 million), as imports continued to outstrip exports. Imports increased by 6.7 percent in 2014 compared to the previous year while exports increased by 3.8 percent only. In 2014, exports covered 46.3 of imports, as compared to 47.6 percent in 2013, putting

Figure 1.5- Albania's main manufacturing imports (2000-2014) in million ALL



Source: Albanian Institute of Statistics

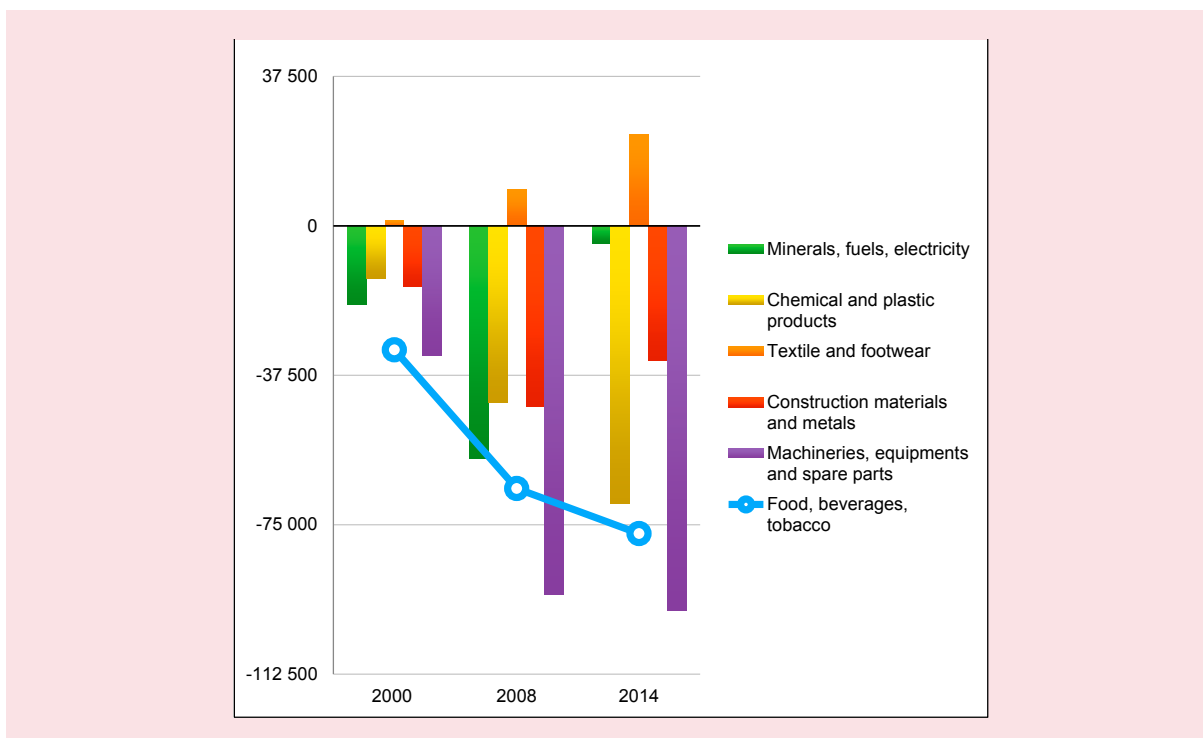
increased pressure on trade deficit that rose by 9.4 percent in relation to 2013.<sup>26</sup>

<sup>25</sup> Data published by the Albanian Institute of Statistics show the absolute value of minerals, fuels and electricity exports increasing from 999,000 Albanian Lek (ALL) in 2000 to 85,885 ALL million in 2014.

<sup>26</sup> Albanian Institute of Statistics.

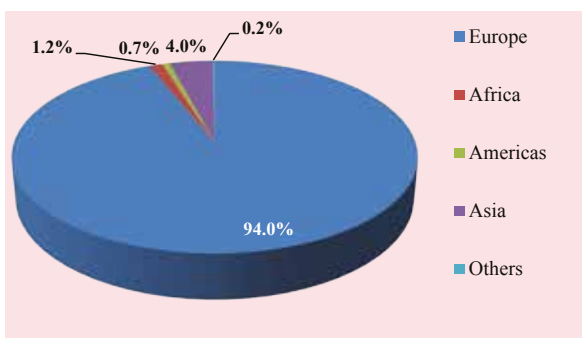


Figure 1.6- Albania's manufacturing exports 2000-2014 in million ALL



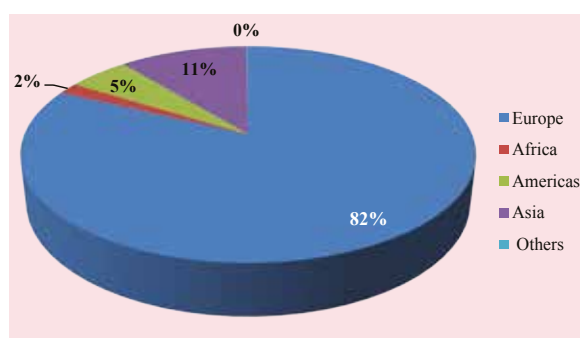
Source: Albanian Institute of Statistics

Figure 1.7- Albania's exports by region (2014) % of total exports



Source: Albanian Institute of Statistics

Figure 1.8 - Albania's imports by region (2014) % of total imports



Source: Albanian Institute of Statistics

In terms of trading partners, the successive wave of reform efforts consolidated the status of Europe as Albania's main trading partner, accounting for 94 percent of exports and 82 percent of imports in 2014 (Figures 1.7-1.8).

However, Italy continues to form the main outlet for Albania's exports, albeit with a smaller share compared to 2000 (Table 1.1), and the geographic diver-

sification towards other countries (Kosovo, Malta, Spain and Turkey) carried modest increases and remained dominated by textiles and footwear along with construction materials and metals.<sup>27</sup>

<sup>27</sup> Albanian Institute of Statistics.

Table 1.1- Albania's main trade partners in Europe

Countries	Share in Albania's total exports to Europe		Share in Albania's total imports from Europe	
	2000	2014	2000	2014
<b>Germany</b>	6.5%	3.0%	6.5%	7.3%
<b>Greece</b>	12.9%	3.7%	28.0%	11.5%
<b>Italy</b>	72.1%	55.4%	37.3%	36.3%
<b>Malta</b>	0.0%	6.6%	0.1%	0.1%
<b>Spain</b>	0.1%	6.9%	1.2%	2.1%
<b>Switzerland</b>	0.2%	0.8%	1.3%	3.7%
<b>Turkey</b>	0.7%	4.2%	5.6%	8.6%
<b>Kosovo</b>	0.0%	7.8%	0.0%	1.3%

Source: Albanian Institute of Statistics

On the import side, Italy has maintained its dominant share in Albania's total imports from Europe throughout the period 2000-2014, while the shares of Germany and Switzerland increased by less than 2 per cent each (Table 1.1). In contrast, and as shown in figure 1.8, imports from Asia increased from around 3 per cent in 2000 to 11 per cent in 2014. The same period also saw an increase in Albania's imports from the Americas, albeit by 3 per cent only, driven mainly by a surge in imports from the United States of America (USA). Thus by 2014, the share of Europe in Albania's total imports stood at 82 per cent, down from 94 per cent in 2000.

Over the past few years, capitalizing on reforms has been complicated by the sluggish demand from Europe and beyond. As shown in table 1.2, Albania's exports to the EU registered a 9 percent decrease over the period January-September 2015 compared to the same period the previous year. Exports to Spain and Turkey were particularly hit, reflecting the continued recessionary decline that have permeated these countries over the past few years. Exports to the Russian Federation also declined as well as those destined to China, reflecting the two countries' slowed growth.<sup>28</sup> Where exports registered an impressive growth rate, the positive change was generated by modest increases in absolute terms.

Table 1.2- Albanian exports (January 2015-September 2015)

Countries	Value in million ALL		Change (%)
	Jan.-Sept. 2014	Jan.-Sept. 2015	
<b>EU</b>	<b>150,654</b>	<b>136,653</b>	<b>-9</b>
<b>Austria</b>	1,145	2,484	117
<b>United Kingdom</b>	244	376	54
<b>Germany</b>	5,446	5,655	4
<b>Greece</b>	6,727	6,833	2
<b>Italy</b>	99,696	91,600	-8
<b>Spain</b>	13,506	9,601	-29

<sup>28</sup> The Chinese economy grew by 7.4 percent in 2014, which is well below the 10 percent average annual growth rate registered over the past three decades. See, World Bank (2015) China Economic Update, June.

Countries	Value in million ALL		Change (%)
	Jan.-Sept.2014	Jan.-Sept. 2015	
<b>Croatia</b>	227	352	55
<b>Others of EU</b>	23,663	19,753	-17
<b>China</b>	7,449	5,219	-30
<b>Kosovo</b>	12,358	16,813	36
<b>Macedonia</b>	3,978	5,100	28
<b>Russian Federation</b>	89	46	-48
<b>USA</b>	1,011	1,841	82
<b>Turkey</b>	8,020	6,415	-20
<b>Ukraine</b>	19	147	689
<b>Switzerland</b>	1,246	2,201	77
<b>Others</b>	7,995	11,241	41
<b>Total</b>	<b>192,819</b>	<b>185,676</b>	<b>-4</b>

Source: Albanian Institute of Statistics

### Challenges and emerging opportunities

As previously shown, the trade sector remains incapable of assuming a prominent role in income generation. Albania's exports are dominated by products with low value-added, which are sold in a handful of European countries. On the import side, the country relies on global markets to satisfy not only local demand for products, but also household and industry demand for electricity. Moreover, gains from exports are largely leaked out to finance imports, with the consequence of aggravating the country's external debt problem.

Achieving the strategic goal of export expansion and diversification requires the transformation of agriculture from subsistence to commercial production and industrial activities towards increased specialization in high value-added activities. This needs to be done within the context of a balanced approach, which accords simultaneous emphasis on increasing investments in technology-intensive activities and on improving the productive capacity of labour-intensive enterprises. Existing enterprises should be assisted to acquire, assimilate and expand on new technologies, so as to meet international safety and quality requirements. Otherwise, the enterprises will remain awkwardly placed to capitalize on the new opportunities generated by the successive waves of reforms.

In implementing such an approach, priority should be given to small and medium-sized enterprises (SMEs). These enterprises constitute the backbone of the Albanian economy, accounting for 70 percent of total value-added and 75 percent of total employment,<sup>29</sup> and could integrate new production methods in a faster manner than large enterprises owing to their flexible structures.

Priority should also be given to developing the country's electricity sector. Unreliable electricity supply and recurrent power cuts constitute a major challenge for enterprises, constantly disrupting production activities and discouraging investments in new machinery and equipment.<sup>30</sup> The underdeveloped transport infrastructure and logistic services is yet another constraint that needs to be addressed, along with the weak institutional capacities within State agencies.<sup>31</sup>

<sup>29</sup> European Commission (2014) A Partial and Fragile Recovery : Annual Report on European SMEs 2013/2014.

<sup>30</sup> Enterprises reported that investing in new equipment may generate losses, as it could be damaged or destroyed by electricity cuts. The lack of reliable electricity supply has also been inflating production costs, forcing enterprises to either purchase or share standby electricity generators. World Bank (2009) Building Albanian Competitiveness, Volume I, Main Report: Overview of Findings and Recommendations.

<sup>31</sup> World Bank (2015) Albania: World Bank Group Partnership-Program Snapshot, April 2015

These areas form the focus of Albania's reforms. These accord priority to increasing and further broadening the composition of foreign direct investment (FDI) inflows,<sup>32</sup> with equal emphasis on developing high-value added manufacturing and agricultural activities (especially in the area of bio-products) and labour-intensive activities (including artistic, handicrafts, ceramics and wood production). Key business development interventions identified by the Government include the formation of industrial clusters; the creation of incubation programmes for start-ups; the establishment of free trade areas close to ports and airports; the development of auxiliary business services for enterprises; and, the improvement of national research and development capacities.<sup>33</sup>

Special emphasis is also given to fulfilling the EU *Acquis* requirements<sup>34</sup> and the Europe 2020 Strategy,<sup>35</sup> through the National Action Plan for the Implementation of the Regional South East Europe (SEE) Strategy for the period 2014-2020. The action plan spells out interventions for realizing the SEE's common goals, including the creation of up to 1 million new jobs by 2020 and boosting regional trade turnover from € 94 to € 210 billion.<sup>36</sup>

With the support of donors, recent achievements have involved, among others, improving SMEs access

to finance through joining the EU Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) programme;<sup>37</sup> launching the "National Agriculture and Rural Development Guarantee Fund"; establishing a grant scheme for supporting supply chains activities in rural areas in Shkoder, Kukes, Diber, Elbasan, Berat and Korce regions; and, commencing the construction work for the establishment of a "Technological and Economic Development Area" in Spitalë, which is 6.4 kilometres away from Albania's largest port (the port of Durrës).

As previously mentioned, the implementation of these ambitious reforms, which requires several years, is complicated by the sluggish demand from Europe and beyond. The country's debt problem is yet another factor, along with the recurrent government restructuring, which undermines the consolidation of the required expertise skills.

## 1.2 Methodology

This study draws on secondary sources (including policy documents, legislation and previous relevant studies) and primary information collected through face-to-face interviews using the UNECE evaluation methodology. The methodology features actor-oriented questionnaires, geared to ascertain behind and at-the-border regulatory and procedural trade barriers throughout the international supply chain.

The questionnaires focus on: (i) trade facilitation measures; (ii) quality control systems embodied in standardization policies, technical regulations, quality assurance, accreditation and metrology (SQAM); and (iii) trade-related infrastructure, including transport and logistics.<sup>38</sup> The insights emerging from the evaluation methodology were complemented by a sector-focused assessment of regulatory and procedural barriers to trade in selected agricultural products, using the UNECE/ESCAP Business Process Analysis (BPA) methodology.

<sup>32</sup> The industrial sector (including, manufacturing, mining and mechanical) accounted for the largest share of FDI inflows, around 47 percent in 2011, followed by the banking sector (15 percent), wholesale and retail and other services (15 percent), electricity and gas (14 percent) and telecommunication (9 percent). In terms of cumulating value, the banking sector accounted for the largest share of FDI stock during the same year (25 percent), followed by manufacturing (16 per cent), transport and communication (15 percent), mining (13 percent), wholesale and retail and construction (with a 9 percent share each) and electricity and gas (5 percent). Government of Albania (2014) Business and Investment Development Strategy for the period 2014-2020.

<sup>33</sup> Government of Albania (2014) Business and Investment Development Strategy for the period 2014-2020.

<sup>34</sup> National Plan for European Integration for the period 2014-2016; Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020; and, Business and Investment Development Strategy for the period 2014-2020.

<sup>35</sup> The EU's Europe 2020 strategy is available at: [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>36</sup> SEE 2020 Strategy is available at: <http://www.rcc.int/pages/62/south-east-europe-2020-strategy>

<sup>37</sup> The COSME programme seeks to increase the competitiveness and innovation of SMEs through better access to finance and international markets and the promotion of the entrepreneurship. Albania joined this programme in March 2015. Detailed information on this programme is available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1287>

<sup>38</sup> The UNECE evaluation methodology is available online at: <http://www.unece.org/tradewelcome/trade-needs-assessment-studies.html>

The entire analysis was grounded in a participatory approach, involving relevant public and private sector stakeholders who were brought together under the chairmanship of Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE) to act as the UNECE's counterpart. Below is a brief discussion of the concepts and analytical frameworks underpinning the methodology.

### 1.2.2 Analytical frameworks

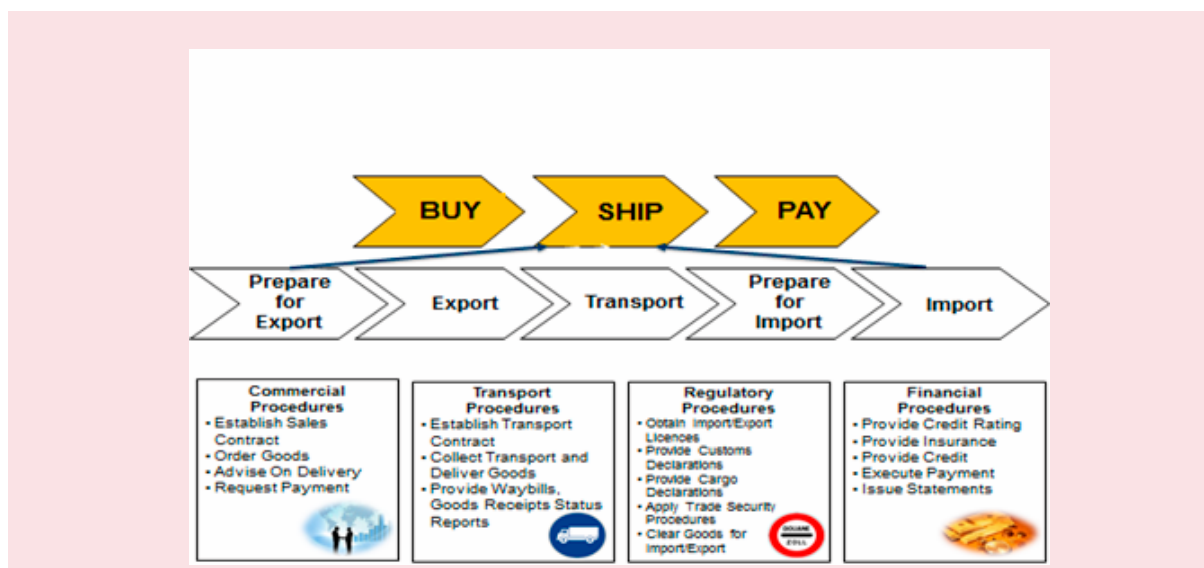
The analysis of trade facilitation conditions is based on the UNECE Buy-Ship-Pay reference model, which provides a system-based conceptualization of international trade transactions. These transactions are seen as proceeding along **a single process in a supply chain**, as opposed to a series of fragmented activities, and are grouped under three main opera-

tions that correspond to the business processes carried out by traders:

- BUY –ordering goods;
- SHIP –physical transfer of the goods, including regulatory procedures related to official controls;
- PAY –payment transactions

As shown in Figure 1.9, the business processes are seen as a chain of logically sequenced activities, which start with the establishment of commercial contracts (commercial procedures) and the arrangement of inland and cross-border transportation of goods (transport procedures) to support the completion of export and import formalities (regulatory procedures) and payments (financial procedures).

Figure 1.9 UNECE international supply chain Buy-Ship-Pay reference model



The aim is to identify capacity shortfalls that impede overall improvement of the end-to-end value chain, with actors (including government agencies, intermediaries and traders) assessed in terms of their contribution to increasing the efficiency, transparency and predictability of trade, as opposed to their functional excellence.<sup>39</sup> Equal attention is also given to trade documents and procedures, which are measured against UNECE key principles on trade facilitation, including transparency, communications, consultations and cooperation; simplification, prac-

ticability and efficiency; non-discrimination, consistency, predictability and due process; harmonization, standardization and recognition; and modernization and the use of new technology.<sup>40</sup>

Trade facilitation bottlenecks at the sectoral level are captured using the UNECE/ESCAP Business Process Analysis (BPA) Model.<sup>41</sup> The model applies the Unified Modelling Language (which includes an in-

<sup>39</sup> For a detailed discussion of this Model, see UNECE Recommendation 18 (UNECE, 2001).

<sup>39</sup> UNECE (2006). Towards an Integrated Strategy for UN/CEFACT, Geneva, Switzerland.

<sup>41</sup> The latest version of the joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: [www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

ternationally recognized set of standard graphical notations) for mapping the day-to-day activities associated with the core buy, ship, pay processes, with a view to capturing:

- The quantitative (time/money) and qualitative impact of regulatory and procedural barriers;
- Shortfalls in transport and logistical services, and any potential obstacles to the modernization/development of these services;
- Shortcomings in the country's SQAM infrastructure (internationally accredited testing laboratories, conformity assessment, certification and accreditation bodies, as well as metrology institutions) and related expertise, which create additional costs and delays in export practices;
- Shortfalls in public-private sector consultative mechanisms;
- Key policy issues with direct bearing on the traders' performance;
- Alternative options for addressing the identified regulatory and procedural barriers

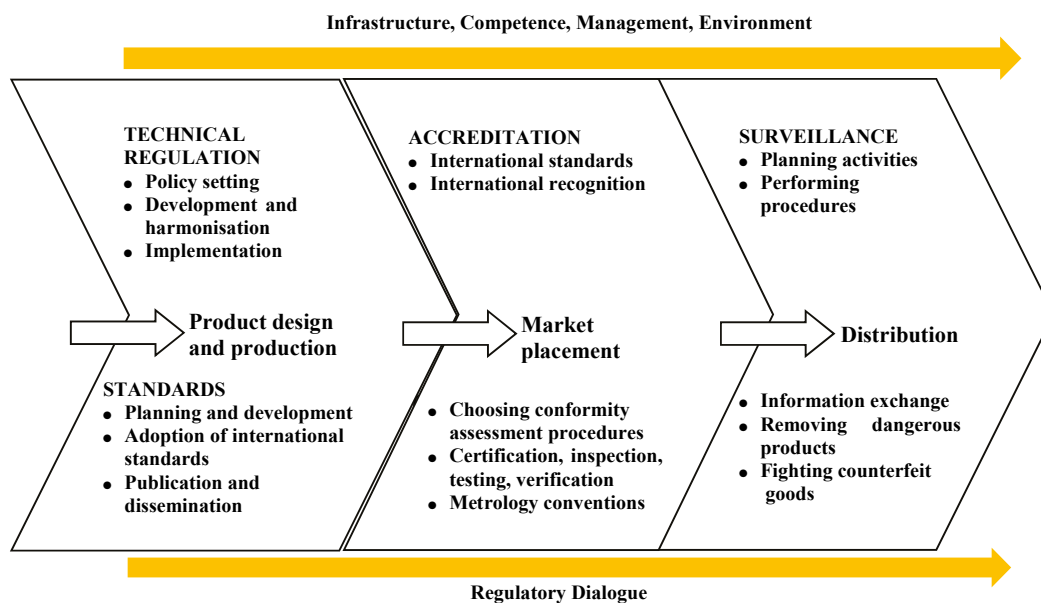
- Capacity-building needs of State agencies, traders, transport sector, logistics service providers.

The results of the BPA could serve as a basis for the:

- Analysis of data requirements and data flow
- Development of standardized data
- Design of improved export processes
- Design of a prototype single window entry form
- Design of a prototype single window entry system
- Decisions on infrastructure and logistics services development
- Design of appropriate laws and market support institutions

To take the analysis a step further, the study uses the product life cycle approach to ascertain capacity shortfalls within the SQAM system. As shown in Figure 1.10, regulations and institutions are assessed in terms of their impact on product design, its placement on the market and eventual distribution.

Figure 1.10 Product life cycle and regulatory system processes





### 1.2.1 Concepts and terminologies

The concept of “trade facilitation” and the terms covered under “SQAM” are to be understood as follows:

- Trade facilitation refers to the extent to which import/export procedures, information and documentation requirements are rationalized, harmonized, simplified, streamlined and automated to reduce the costs associated with international trade and increase overall efficiency and transparency.
- Standardization policies refer to policies and regulations concerned with the specific characteristics of products, such as its size, shape, design, functions and performance, or the way they are labelled or packaged before it being placed in the market. A Standard refers to a technical specification approved by a recognized national, regional or international standardization body and made available to the public for repeated or continuous application.
- Technical regulations are to be understood pursuant to the Agreement on Technical Barriers to Trade (TBT) as “documents which lay down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. These may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method”.
- Conformity assessment is to be understood pursuant to the Agreement on TBT, as involving procedures used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled.
- Related to conformity assessment is accreditation, which refers to independent evaluation of testing and calibration laboratories, management systems, inspection bodies and so on, to confirm compliance with internationally recognized standards and requirements for risk reduction purposes.

- Metrology, traditionally known as “weights and measures”, is the science of measurement. Together with standardisation, accreditation and conformity assessment, it is one of the essential pillars of national quality infrastructure. Scientific and industrial metrology are crucial for establishing and disseminating measurement units and providing the necessary tools to support the measurements needed by industry. Legal metrology ensures the credibility of measurements and measuring instruments in regulated areas of trade, health, safety and environment. It is essential, not only for consumer protection, but also for protecting export revenues and official measurements.

### 1.3 Scope of the study

This study focuses on strategic non-resource sectors. These were selected in consultation with the Government based on their export potential. Listed using the Standard International Trade Classification (SITC) Revision 3 (top level), these include:

- Food and live animals
- Beverages
- Animal and vegetable oils, fats
- Chemicals and related products
- Manufactured goods classified chiefly by material
- Machinery and transport equipment
- Miscellaneous manufactured articles

The regulatory and procedural barriers to trade were identified using actor-oriented questionnaires targeting supply chain members, including, traders, officials, transport operators, logistics service providers and market support institutions.<sup>42</sup> The following actors were approached in 2015 by UNECE national and international consultants during face-to-face interviews:

#### Traders

A representative sample of 78 traders were interviewed to gain insights into the challenges to export

<sup>42</sup> Only transport operators and logistical service providers with extensive services and broad geographic coverage were interviewed.

development. These were selected in consultation with Customs to ensure the broadest possible geographic coverage, following a lengthy process given the paucity of export-oriented enterprises. The majority of registered traders were mainly focused on imports, suggesting a gap between development objectives and the realities on the ground.

### Ministries and State agencies

- Ministry of Economic Development, Tourism, Trade and Entrepreneurship
- Ministry of Agriculture, Rural Development and Water Resources
- Ministry of European Integration
- Ministry of Energy and Industry
- Ministry of Transport and Infrastructure
- General Directorate of Customs
- General Directorate of Standardization
- General Directorate of Metrology
- General Directorate of Accreditation
- Food Safety and Veterinary Institute
- National Food Authority
- Regional Taxes Office, Elbasan
- Regional Taxes Office, Vlorë
- Regional Customs Office, Elbasan
- Regional Customs Office, Vlorë
- Qafë-Thanë Border Crossing Point

### Market support institutions

- Chamber of Trade Industry, Elbasan
- Chamber of Commerce and Industry, Tirana
- Chamber of Trade Industry, Vlorë Region
- Customs brokers (2)
- Albanian Investment Development Agency
- Foreign Investors Association of Albania

### Transport operators and logistics service providers

- Port of Durrës
- Port of Vlorë

## 1.4 Outline of the study

The study is divided into five chapters. The introduction is followed by the profile of the interviewed traders in Chapter 2. Chapter 3 provides an assessment of trade facilitation conditions in the country, and leads to an examination of the institutional bottlenecks facing State agencies involved in the areas of technical regulation, standardization and conformity assessment in Chapter 4. The two chapters also identify priority needs and propose practical, action-oriented recommendations for the Government's consideration. Chapter 5 provides concluding remarks and reflections. A thorough analysis of regulatory and procedural barriers to increasing exports of medicinal herbs, fresh fruits and vegetables using the BPA Model is provided separately (Annex III).





# Chapter Two

## Traders Profile

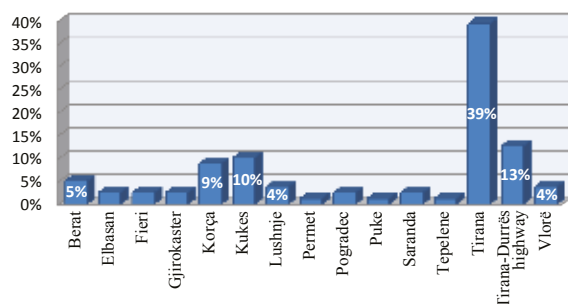
This chapter provides the profile of the interviewed traders. It shows that the enterprises were held back by a weak productive capacity, with the majority selling a narrow range of products to a few countries. Only a limited segment was involved in production activities, and were predominantly labour-intensive. The enterprises were also struggling to maintain their operations in the face of the dwindling demand for their products under the weight of the economic recession that has been engulfing their export markets and the increased competition from imports.

### 2.1 Location, size and activities

Mirroring the geographical distribution of the enterprises in the country, the majority of the surveyed enterprises were located in the capital city of Tirana and its vicinity (Figures 2.1 and 2.2). The capital city was home to around 39 percent of the surveyed enterprises, while the nearby areas along the main highway route linking Tirana to the coastal city of Durrës accommodated another 13 percent (Figure 2.1).

The enterprises' location choice is mainly determined by the availability of transport infrastructure. The Tirana- Durrës region offers proximity to the coun-

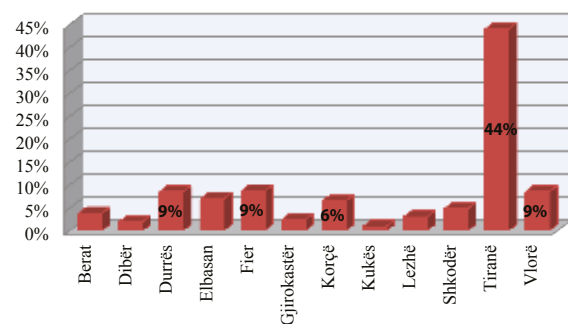
**Figure 2.1 Surveyed enterprises by location**



try's largest seaport in Durrës and main international airport, Tirana International airport, thereby putting the enterprises operating in this region in an advantageous position. As shown in chapter three, enterprises in the remaining regions operate in the

absence of adequate transport facilities, so that they are isolated from mainstream trade (Chapter 3).<sup>43</sup>

**Figure 2.2 Breakdown of Albanian enterprises by location (2014)**



Source: Albanian Institute of Statistics

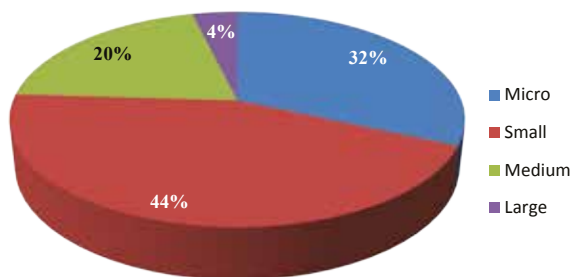
The surveyed enterprises were dominated by small enterprises, employing between 10 and 49 persons. These constituted the largest segment (44 percent), followed by micro enterprises, employing fewer than 10 persons (32 per cent) and medium enterprises employing between 50 and 249 persons. The latter represented 20 percent of the surveyed enterprises, with large enterprises (employing 250 persons and above) accounting for the remaining 4 percent (Figure 2.3).<sup>44</sup>

The majority of the enterprises belonged to agriculture, with manufacturers of miscellaneous products and chemical industries constituting the second larg-

<sup>43</sup> The Tirana- Durrës region is home to a budding population of enterprises, which sprawled over the past two decades as households and entrepreneurs migrated to the region in a rapid unplanned urbanization process to benefit from the advantageous location conditions. The region is slated for extensive urbanization plans, which are yet to be implemented. The most extensive plan "Regional Development Framework for the Tirana-Durrës Region 2008-2027" was prepared by Landell Mills Development Consultants with funds from the EU.

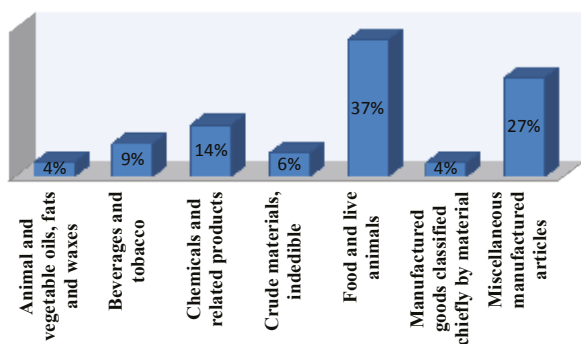
<sup>44</sup> The Albanian classification of SMEs follows the EU Commission Recommendation concerning the definition of micro, small and medium-sized enterprises, dated 6 May 2003, document [C (2003) 1422].

**Figure 2.3 Breakdown of surveyed enterprises by size**



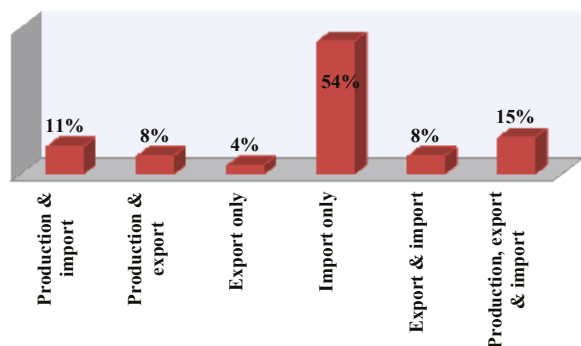
est group (Figure 2.4). While all the enterprises were heavily involved in foreign trade, their activities were tilted towards imports. The share of those involved in exports was 35 percent only as opposed to 54 percent, the share of enterprises with an exclusive focus

**Figure 2.4 The Surveyed enterprises by sector**



on import activities. Moreover, as shown in figure 2.5, importers showed a lower tendency to engage in production activities, suggesting limited demand for locally produced goods.

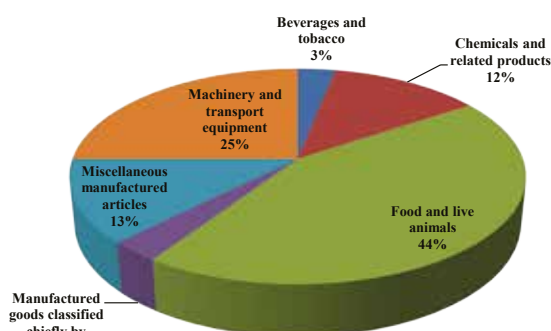
**Figure 2.5 Surveyed enterprises by activity**



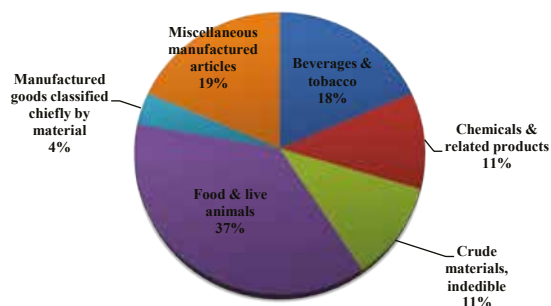
## 2.2 Export-import mix and trading partners

The surveyed enterprises exported 32 products. Processed food along with fresh fruits and vegetables constituted the largest group, followed by machinery and transport equipment. Other exports included chemical and related products, miscellaneous manufactured products, manufactured goods classified chiefly by material along with beverages and tobacco (Figure 2.6). As shown in figure 2.7, barring machinery and transport equipment, these products are manufactured locally (Figure 2.7).

**Figure 2.6 Surveyed enterprises by activity**

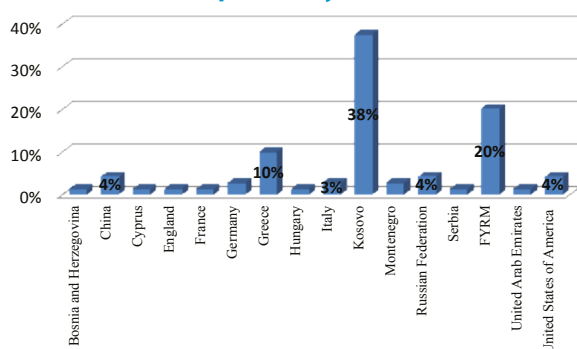


**Figure 2.7 Breakdown of producing enterprises by sector**



The surveyed enterprises exhibited a diversified list of target markets. As shown in figure 2.8, Kosovo and the FYROM were the main outlets for the enterprises' exports, with China, Greece, Italy, the Russian Federation and the USA constituting secondary markets. Traders explained that while Kosovo and the FYROM have been traditional partners, their increased prominence has to be measured against the plummeting demand from Italy and Greece that are still struggling with economic recession.

**Figure 2.8 Breakdown of producing enterprises by sector**



Traders said that their efforts to venture into new markets and product lines have been met with limited success, given their weak productive capacity. This is further highlighted in table 2.2, which shows that barring Kosovo and FYROM, and to a certain extent Greece, the enterprises were selling a maximum of three products per target market. Moreover, the bulk of the products destined to Kosovo and FYROM were re-exports (Table 2.3).

**Table 2.2- Breakdown of the enterprises' exports by target market and product**

Reported country of destination	Product
<b>Bosnia and Herzegovina</b>	Banana
<b>China</b>	Chrome, lemon and tomatoes
<b>Cyprus</b>	Pallets
<b>England</b>	Beer
<b>France</b>	Thyme
<b>Germany</b>	Sage and beer
<b>Greece</b>	Beer, furniture, herbs, pallets and spices
<b>Hungary</b>	Watermelon
<b>Italy</b>	Pallets and beer
<b>Kosovo</b>	Electrical equipment (alarms, audio equipment, fire protection equipment, switches, laptops, printers and servers), banana, dried fruit, herbs, honey, dairy products (fresh milk and cheese), fresh sausage, beer, raw materials for industrial butter, plastic water bottles, carton packaging and varnishes.
<b>Montenegro</b>	Banana and medicine
<b>Russian Federation</b>	Cucumber, peppers and tomatoes
<b>Serbia</b>	Bananas
<b>FYROM</b>	Electrical equipment (alarm systems, sound systems, switches, laptops, printers, servers), beer and spices
<b>United Arab Emirates</b>	Pallets
<b>USA</b>	Sage

On the import side, as shown in table 2.3, the enterprises brought 97 products, including food and live

animals, consumer goods, medicine and construction materials.

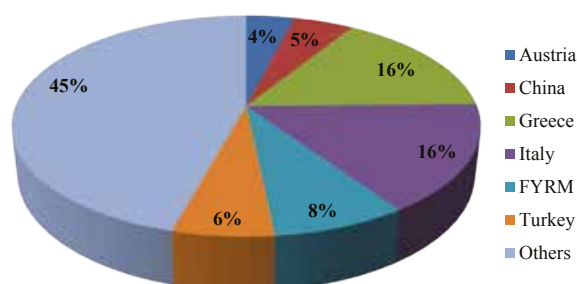
Table 2.3- Breakdown of the enterprises' imports by source of supply and product

Reported source of supply	Product
<b>Argentina</b>	Meat
<b>Austria</b>	Medicine, meat, fridges, frozen vegetables, Tupelo, printers and televisions
<b>Belgium</b>	Meat and pastry
<b>Brazil</b>	Meat
<b>Bulgaria</b>	Handkerchiefs, diapers, fridges, sunflower oil, televisions and washing machines.
<b>Canada</b>	Meat and medicine
<b>China</b>	Cement boards, toys, cloths, electrical equipment, keyboards, ceramic kitchen utensils, plastic home accessories , fridges, alarm equipment, laptops and tiles
<b>Croatia</b>	Milk (UHT), notebooks and malt
<b>Czech Republic</b>	Filtering chemical liquid and malt
<b>Ecuador</b>	Banana
<b>Egypt</b>	Raw materials for varnishes
<b>France</b>	Fertilizers, flour, onions, soft drinks, Lucerne seeds, pasta, seed potato, car accessories
<b>Germany</b>	Sound equipment, bearings, auto accessories and spare parts, car oil, tiles, servers, cosmetics, dried meat, malt and confectionery
<b>Greece</b>	Chocolates, olive oil, biscuits, water, apples, peaches, sandwich panels, wood, car oil, carton packaging materials, metal sheets, tiles, varnishes, raw materials for varnishes, cosmetics, flour, confectionery, medicine, fertilizers, herbs, soft drinks, pasta, rice and spices.
<b>Holland</b>	Fertilizers, Lucerne seeds, seed potato, onion, raw materials for varnishes and notebooks
<b>Hungary</b>	Milk based drinks
<b>Indonesia</b>	Canned fish
<b>Italy</b>	Plastic cane, wood, electric pumps, sandwich panels, toiletry, socket plugs, televisions, medicine, electrical cables, corrugated pipes, chemical filtering liquid, raw materials for varnishes, confectionary, meat (fresh), flour, fresh sausage, fridges, fruits and vegetables, pasta and canned food
<b>Kosovo</b>	Paper, soft drinks and office stationary
<b>Mexico</b>	Banana
<b>Montenegro</b>	UHT (long-life) milk
<b>Paraguay</b>	Meat
<b>Poland</b>	Tiles
<b>Romania</b>	Soft drinks
<b>Russian Federation</b>	Calf , wheat, car accessories and spare parts

Reported source of supply	Product
Serbia	Fresh meat , corn seeds, frozen vegetables, wheat, fiber glass, packaging materials (plastic bottles, tins, glass bottles and boxes) and varnishes
Slovenia	Raw materials for varnishes
Spain	Tiles and wine
Sweden	Timber
Switzerland	Chocolates and tiles
FYROM	Raw materials for varnishes, bearings, medicine, apples, calf, notebooks, vegetable oil, onion, peaches, plaster boards, servers, packaging materials (plastic bottles, tins, glass bottles and boxes) sunflower seeds, wheat and milk
Turkey	Raw materials for varnishes, textiles and cloths, fruits and vegetables, coffee, fridges, toiletry, car spare parts, televisions and tiles
USA	Medicine

Table 2.3 also highlights the traders' strong preference to importing from the neighboring countries of Italy and Greece in order to cut down on transport costs. This is further demonstrated in figure 2.9, which shows the two countries as representing 32 percent of the enterprises' total imports.

**Figure 2.9 The surveyed enterprises' sources of supply**



### 2.3 Transport modes of choice

Road constituted the surveyed traders' transport mode of choice. It was used for shipping 77 percent of outbound consignments and 73 percent of inbound consignments. This includes consignments to/from nearby markets as well as distant markets (e.g., Canada, China, the United Arab Emirates and the USA and to the European markets of England, France, Germany and Netherlands), whereby road was used in combination with maritime transport.

Over 90 percent of the consignments were transported via the Port of Durrës, the largest seaport in the country.<sup>45</sup> The port of Vlorë, the second largest port, accounted for the remaining balance. Air and rail transport did not figure on the traders' list, and were only used for shipping inbound cargo. To be more specific, rail was used for transporting imports from Serbia (via Kosovo or FYROM) and Croatia, while air transport was used for small shipments of pharmaceutical products from Canada, Austria and the USA.

It is worth noting that only 29 percent of the interviewed traders were involved in organizing door-to-door transport operations. Importers exhibited a preference to outsourcing these activities to freight forwarders, while the majority of exporters structured their selling terms based on EX-Works (EXW).<sup>46</sup>

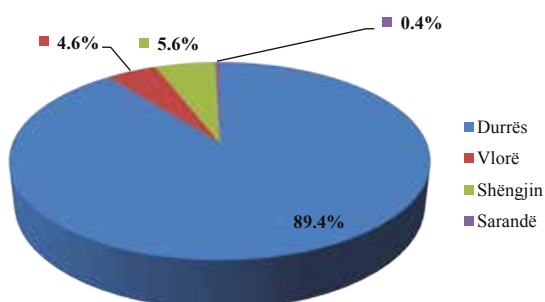
<sup>45</sup> The port has a basin of 67 hectares, 2.2 kilometres of quay and 11 berths with depths varying from 5.5 to 11 metres, and has a commercial capacity of around 5 million tonnes of cargo. Vessels of up to 20,000 dead-weight tonnes (DWT) are able to discharge at the port, with further dredging of the basin and entrance channel expected to increase that to 30,000 DWT. Further details are available at the Port's institutional website (<http://www.apdurrres.com.al/>).

<sup>46</sup> EX-Works is one of the most basic shipment arrangements, which places the minimum responsibility on the seller. In an EX-Works transaction, goods are made available for pickup at the shipper/seller's factory or warehouse and delivery is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with their forwarder for insurance, and if agreed upon, export clearance and handling all other paperwork. Source: Incoterms, International Chamber of Commerce.

Moreover, barring a few exceptions, traders engaged in transport operations did not have their own truck fleets, suggesting low levels of export/import activities.

The traders' transport modes of choice bring forward the transport sector's structural weaknesses. Maritime transport is the most advanced in terms of facilities, particularly the port of Durrës. This port, which handles the bulk of Albania's container traffic (Figure 2.10), is equipped for handling all types of cargo (including dry bulk, liquid bulk, break bulk, general cargo, chemicals, dangerous goods) and containers (from 10 – 45 foot). It is also connected to the national rail and road networks and, together with the Port of Vlorë, form the main entry point into the European Transport Corridor linking Albania to Kosovo, FYROM, Serbia, Bulgaria and Romania.<sup>47</sup> However, as will be shown later, the two ports suffer from a number of limitations, which undermine operational efficiency and service quality.

**Figure 2.10 breakdown of Albanian maritime container traffic by port (2014)**



Source: Albanian Institute of Transport

Air transport is an evolving sector. It has been recently strengthened with the opening of the Kukës airport in 2008. Prior to that, freight transport was only possible through Tirana International Airport, also known as Rinas International Airport.

The road network is under-developed. It consists of approximately 3,719 kilometres of primary roads, connecting the country to Greece, FYROM, Kosovo and Montenegro, and about 13,000 kilometres of

<sup>47</sup> Referred to as VIII, this corridor forms part of the Pan-European Transport Corridor. Further details on this corridor and the Pan European Transport Corridor are provided in section 3.6.

secondary (rural and communal) roads. The entire network is below international standards. This is particularly the case of secondary roads, which remain largely unpaved and in poor condition, with many sections inaccessible during winter.<sup>48</sup>

The railway network is small and underdeveloped, comprising 447 kilometres of single-track non-electrified rail with standard gauge of 1435 mm. The network is run down, with only 424 kilometres in use, and lacks proper stations (with adequate depots and other facilities).<sup>49</sup> According to interviewed transport operators, the maximum speed for freight is 30-40 kilometres per hour, including stops, owing to the poor track conditions and outdated signalling system.

The network is also fragmented. It is divided into four lines linking: (i) Durrës to Tirana; (ii) Durrës to Vlorë through Rogozhine; (iii) Rogozhine to Përrenjas; and (iv) Vlorë to Hani i Hotit. The lines are not adequately connected to the national roads or regional rail networks. The only connection is via the city of Shkodër in the north, which offers links with the Montenegrin rail at the Bajzë land border with Montenegro.

The above-mentioned weaknesses set the limits to multi-modal transport, which, in 2015, was restricted to the transfer of freight from sea to road. As shown in the remaining chapters, the lack of adequate transport infrastructure combines with a range of regulatory and procedural barriers to act as a disincentive for increased involvement in export activities.

<sup>48</sup> Transnational Cooperation Programme South East Europe (2015) Assessment of available infrastructure capacity (rail and road) with a focus on bottlenecks (SEE/D/0093/3.3/X\_ACROSSEE project).

<sup>49</sup> World Bank Database and Albanian Institute of Transport.



# Chapter Three

## Trade Facilitation Conditions

### 3.1 Introduction

Inspired by the WTO rules and international best practices, Albania's trade facilitation efforts are geared toward consolidating a paperless trading environment.<sup>50</sup> This strategic goal is being pursued within the context of a gradual approach, whereby reforms are fashioned incrementally in a learning-by-doing manner to accumulate the required institutional capacity for long-term sustainability.

Reforms to date have focused on the modernization of customs administration through the United Nations Conference on Trade and Development (UNCTAD) Automated System for Customs Data (ASYCUDA), which supports full automation of customs clearance procedures (including data entry and direct registration, risk analysis, calculation of duties and taxes, and payment and accounting) using international standards.<sup>51</sup> Introduced in 2000, the system is operational throughout the country at the Customs headquarters and regional offices, and serves as the backbone for customs automation.

The system is maintained by a national team of technical and functional experts, who participated in the installation of the web-based version of ASYCUDA, ASYCUDA *World*,<sup>52</sup> upon which the customs Integrated Customs Information System (ICIS) is constructed. The system allows customs and traders to handle most of their transactions (from cargo manifests and transit documents to customs declarations) online. It also

features a full risk-assessment and selectivity module and accords the required flexibility for upgrades and connectivity with the information technology (IT) systems of other national and international authorities in partner countries. Since June 2013, ASYCUDA was consolidated with an online electronic payment facility, amidst plans to install additional tools for supporting electronic signatures and generating individual profiles of registered traders.

The above-mentioned achievements denote a relatively mature trade facilitation environment, which paved the way for the General Directorate of Customs (GDC) to become a signatory to the Revised Kyoto Convention (RKC) in 2013.<sup>53</sup> In 2016, reforms were mainly focused on ensuring the successful implementation of the New Customs Code.<sup>54</sup>

Adopted in 2014, the new Customs Code is fully aligned with the EU new modernized Customs Code, the Union Customs Code (UCC), which is geared to guide the establishment and operation of secure, integrated, interoperable and accessible computerized customs systems across the EU customs territory.<sup>55</sup> These systems, which are scheduled to be

<sup>50</sup> Albania joined the WTO on 8 September 2000.

<sup>51</sup> The ASYCUDA Customs tariff is based on the Harmonised Coding and Description System (HS). It takes into account the complete range of international standards for data harmonization (e.g., UN/EDIFACT, ISO, WCO); uses the European Single Administrative Document (SAD) as the basis for customs declaration; is compliant with WTO customs valuation requirements; and integrates the full suite of customs functions, including in the areas of Direct Trader Input (DTI), risk management and transit monitoring.

<sup>52</sup> A more detailed account of Albania's ASYCUDA system is available at: <http://www.asycuda.org/dispcountry.asp?name=Albania>. Detailed information on ASYCUDA *World* is available at <http://www.asycuda.org/asyworld/>.

<sup>53</sup> RKC is the International Convention on the Simplification and Harmonization of Customs Procedures, World Customs Organization, 1999 (as amended). Albania, which joined the World Customs Organization on 31 August 1992, became a signatory to this convention in June 2013.

<sup>54</sup> Law No. 102/2014 on "Customs Code of the Republic of Albania" adopted by the Albanian Parliament on 31 July 2014. Once fully implemented the new Customs Code will replace the one contained in Law No.8449, dated 27.01.1999, which was based on EC Regulation No. 2913/92 on the "Community Customs Code" of 12 October 1992.

<sup>55</sup> The provisions of the new modernized Union Customs Code (UCC) are provided in EU Regulation No. 952/2013, dated 9 October 2013, which came on the heels of Regulation (EC) No. 450/2008 on establishing the Modernised Customs Code (MCC). The MCC, which entered into force on 24 June 2008, stipulated the consolidation of a paperless trading environment through the introduction of electronic data processing solutions. It was due to be applicable once its implementing provisions were in force by June 2013. However, given the huge investments that the modernized system require, the MCC was revised and recast as the



gradually implemented over the period 1 May 2016 until 31 December 2020, will allow for electronic data exchange between customs offices throughout the Union; enable economic operators to lodge their summary and/or customs declarations in electronic format from their premises; promote automated risk analysis; further simplify customs procedures; and, ensure proper interfacing with existing and future systems in areas other than customs (e.g., the Excise Movement and Control System -EMCS).<sup>56</sup>

Albania's new Customs Code integrates the concept of trade facilitation as an overarching principle for guiding customs operations,<sup>57</sup> and is being implemented in two phases. The first phase, which covers the period 2015-2017, will see the introduction of new procedures for further simplification and rationalization of customs procedures and for improving risk management. The second phase, which is set for June 2017, will see the implementation of the remaining provisions and, thereof, the effective repeal of the existing Customs Code as contained in Law No. 8449 of 1999.<sup>58</sup>

To be more specific, the period till 2017 will see the consolidation of automated risk management techniques; the establishment of Authorized Economic operators (AEOs) schemes;<sup>59</sup> and, the introduction

of simplified procedures, including simplified declaration, local clearance,<sup>60</sup> self-assessment, centralized clearance for AEOs<sup>61</sup> and electronic entry in the declarant's records in EIDR.<sup>62</sup>

The new Customs Code makes the simplified declaration as well as the EIDR accessible to all traders. Traders will only need to obtain the customs authorization as long as they meet some of the AEO certificate, AEO (C), criteria. The difficult to obtain AEO (C) status is required for using the local clearance procedure, self-assessment, centralized clearance and for obtaining a waiver from the presentation of goods when using EIDR.

In 2015, the GDC was in the process of developing a transit module that is fully aligned with the EU system; the local clearance procedure; and the pre-arrival processing procedure (i.e., advance lodging of information prior to the presentation of goods to customs).<sup>63</sup> Preparations were also underway for developing a scheme for AEOs, which is based on the EU model and is sensibly predicated on the provision of trade facilitation benefits before turning to matters of supply chain security.

The GDC was also in the process of integrating into its IT system the EU New Computerized Transit Sys-

UCC. To be more specific, the UCC, which entered into force in 2013, repealed the MCC Regulation. This means that its empowering provisions were directly applicable, thereby allowing the European Commission to develop the implementing acts and delegating acts for replacing the current implementing provisions. The substantive, procedural provision of UCC will enter into force on 1 May 2016. One implemented, the UCC will replace the current Community Customs Code (CCC) as established under the EC Regulation No. 2913/92 of 12 October 1992.

<sup>56</sup> See, European Commission Directorate-General Taxation and Customs Union (2014) Electronic Customs Multi-Annual Strategic Plan- 2014 Revision, Taxud.a.3 (2014) 2151261, dated 21.11.2014. A detailed account of ongoing projects in support of the implementation of the Plan are published at [http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/electronic\\_customs\\_initiative/it\\_projects/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/it_projects/index_en.htm).

<sup>57</sup> See Article 2 of the New Customs Code.

<sup>58</sup> See law No. 8449 on the Customs Code of the Republic of Albania dated 1999. The Customs Code implementing regulations are contained in Decision of the Council of Ministers No. 205 of 13 April 1999 "On the Implementing Provisions of the Customs Code" and subsequent amendments.

<sup>59</sup> The provisions risk management are established under Article 47 of the New Customs Code, while the provi-

sions on AEOs are provided under Articles 40-41.

<sup>60</sup> See Articles 152-3 of the new Customs Code. Under the simplified customs declaration, the customs authorities may accept placing goods under a customs procedure on the basis of a simplified declaration which does not include all the data requirements referred to in Article 149 or the supporting documents referred to in Article 150. The local clearance procedure allows traders to place the goods under a customs procedure without having to file a declaration immediately.

<sup>61</sup> The provisions for self assessment and centralized clearance are provided under Articles 163 and 167 of the New Customs Code. Self-assessments can be seen as a 'local clearance plus' upon import, whereby the AEO upon the authorization of the Customs authorities can carry out certain customs formalities, including determining the amount of import and export duty payable and performing certain controls under customs supervision. Centralized clearance allows the AEO (C) to lodge his/her summary and/or customs declaration in electronic form from his premises, so that he/she could choose the Customs office closest to the BCP where the goods are scheduled to leave or arrive. The provisions for the entry in the declarant's records are provided under Article 165.

<sup>62</sup> See article 165 of the new Customs Code.

<sup>63</sup> See Article 156 of the new Customs Code.

tem (NCTS), the Integrated Tariff Management System (ITMS)<sup>64</sup> and the Excise Movement and Control System (EMCS).<sup>65</sup> These systems, which are in different stages of installation, will bring about further improvements to Albania's trade facilitation conditions and to the overall legal framework, as they entail the harmonization of national laws with the EU *Acquis Communautaire* requirements.

Albania has also made important achievements in the area of border control management. Integrated Border Management (IBM) legislation and institutions are largely in place, and are in full compliance with the EU's *Acquis Communautaire* requirements. Albania has also entered into customs cooperation agreements with Bulgaria, Croatia, Cyprus, FYROM, Greece, Italy, Kosovo, Montenegro, the Republic of Moldova, Romania, Slovenia and Turkey.

In addition, as shown in table 3.1, Albania ratified 30 of UNECE's transport conventions and agreements. These agreements contain a coherent set of provisions for anchoring national development efforts in international best practices, while supporting harmonization efforts in the areas of infrastructure development and cross border cooperation. These agreements also support the successful implementation of ongoing efforts to consolidate a competitive multi-modal transport system fully integrated with regional and international transport systems.

**Table 3.1- Albania's participation in UNECE Transport Conventions and Agreements**

Area	UNECE Transport Conventions and protocols
<b>Infrastructure networks</b>	<ul style="list-style-type: none"> <li>• European Agreement on Main International Traffic Arteries (AGR), 1975</li> <li>• European Agreement on Main International Railway Lines (AGC), 1985</li> <li>• European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), 1991</li> </ul>
<b>Road traffic and road safety</b>	<ul style="list-style-type: none"> <li>• Convention on Road Traffic, 1949</li> <li>• Convention on Road Traffic, 1968</li> <li>• Convention on Road Signs and Signals, 1968</li> <li>• European Agreement supplementing the Convention on Road Traffic (1968), 1971</li> <li>• European Agreement supplementing the Convention on Road Signs and Signals (1968), 1971</li> <li>• European Agreement on the Application of Article 23 of the 1949 Convention on Road Traffic concerning the Dimensions and Weights of Vehicles Permitted to Travel on Certain Roads of the Contracting Parties, 1950</li> <li>• European Agreement on Road Markings, 1957</li> <li>• Protocol on Road Markings, additional to the European Agreement supplementing the Convention on Road Signs and Signals, 1973</li> </ul>

<sup>64</sup> The integrated tariff functionality under ASYCUDA World does not cover all the classifications of the EU's combined nomenclature (CN). The later includes some 3000 additional sub-classification headings used for national measures for tax rates (VAT and excise), duty

rates and for other tariff and non-tariff restrictions and prohibitions covering tariff and non-tariff measures, with each linked to a legal act.

<sup>65</sup> The introduction of ITMS and NCTS are mandatory for EU accession.

Area	UNECE Transport Conventions and protocols
<b>Vehicles</b>	<ul style="list-style-type: none"> <li>• Agreement concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be fitted and /or be used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions, 1958</li> <li>• Agreement concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of Such Inspections, 1997</li> </ul>
<b>Other Legal Instruments Related to Road Transport</b>	<ul style="list-style-type: none"> <li>• European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), of 1 July 1970</li> <li>• Convention on the Taxation of Road Vehicles for Private use in International Traffic, 1956</li> <li>• Convention on the Taxation of Road Vehicles engaged in International Passenger Transport, 1956</li> <li>• Convention on the Contract for the International Carriage of Goods by Road (CMR), 1956</li> <li>• Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR), 1978</li> </ul>
<b>Border crossing facilitation</b>	<ul style="list-style-type: none"> <li>• Convention concerning Customs Facilities for Touring, 1954</li> <li>• Additional Protocol to the Convention concerning Customs Facilities for Touring, relating to the importation of tourist publicity documents and material, 1954</li> <li>• Customs Convention on the Temporary Importation of Private Road Vehicles, June 1954</li> <li>• Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), 1975</li> <li>• International Convention to Facilitate the Crossing of Frontiers for Passengers and Baggage carried by Rail, 1952</li> <li>• International Convention to Facilitate the Crossing of Frontiers for Goods Carried by Rail, 1952</li> <li>• European Convention on Customs Treatment of Pallets Used in International Transport, 1960</li> <li>• International Convention on the Harmonization of Frontier Controls of Goods, 1982</li> </ul>
<b>Dangerous goods and special cargo</b>	<ul style="list-style-type: none"> <li>• European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), of 30 September 1957</li> <li>• Protocol amending article 1 (a), article 14 (1) and article 14 (3) (b) of the European Agreement of 30 September 1957 concerning the International Carriage of Dangerous Goods by Road (ADR), 1993</li> <li>• Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP), 1970</li> </ul>

Against this background, this chapter provides the results of the assessment in relation to transparency, documentary requirements, at the border control, transport and logical support services and regional cooperation. It shows that reforms to date remain difficult to implement owing to capacity shortfalls within state institutions. There is also an urgent need to strengthen the rule of law and ensure greater involvement of the private sector in decision-making processes.

### 3.2 Transparency

As a rule, all laws and ministerial decisions are published in the official gazette with delayed entry date (15 days after publication in the official gazette).<sup>66</sup> Government agencies also publish information about trade-related regulations and administrative procedures on their websites. However, traders do

<sup>66</sup> [www.qbz.gov.al/](http://www.qbz.gov.al/)

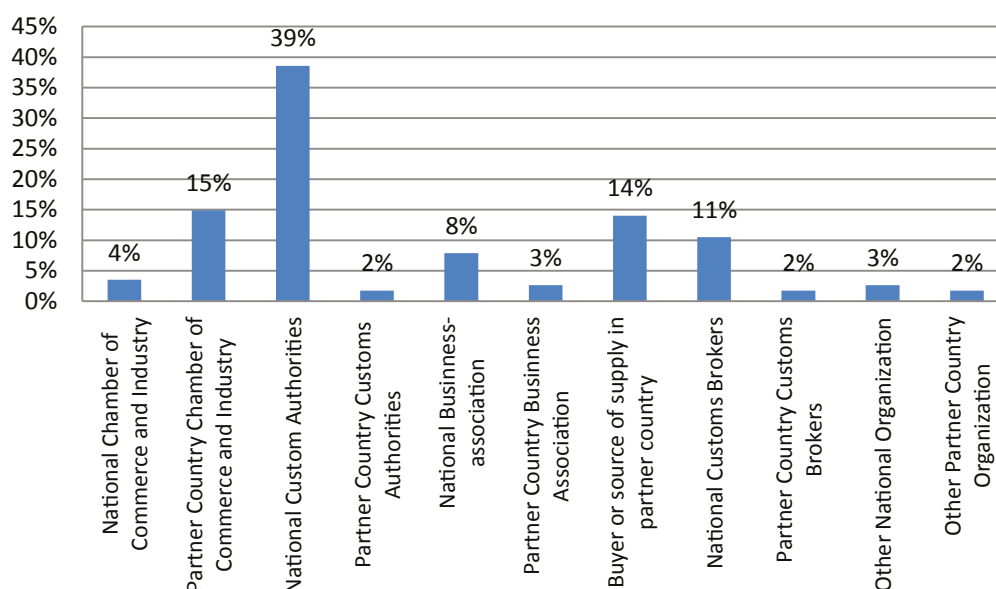
not consult the gazette, because it is not user-friendly. The information is not broken down into areas, and the website is difficult to navigate, even when using in-site search. Traders do not consult the Government agencies' websites either, noting that the information is neither complete nor up-to-date, and involves limited, if any, elaboration on issues related to the application of laws.

Traders reported that they usually approach agencies individually, by phone or in person, to remain abreast of trade-related regulations and procedures, even as they receive regular updates from the agencies in question (Figure 3.1 and Table 3.2). Customs authorities stand out as the main source for updates

on applied regulations and procedures. However, the majority of traders find these updates unclear, irrespective of the level of details.

Traders explained that it takes a considerable amount of time and legwork to piece together everything they need to know from different sources, given the absence of a national enquiry point for trade. In contrast, international sources tend to provide all the required information in a single undertaking (38 percent reported relying on international sources, particularly partner country chambers of commerce and international buyers/suppliers, to keep abreast of regulatory requirements).

**Figure 3.1 Information Sources reported by the traders**



**Table 3.2-Overview of information sources reported by traders (% of responses)**

Source of Information	Method of communication	Regularity	Clarity	Level of detail
<b>National Chamber of Commerce and Industry</b>	E-mail (100%)	Monthly (80%); Bi-annually (20%)	Clear (100%)	Detailed (80%)
<b>Partner Country Chamber of Commerce and Industry</b>	E-mail (92%); Postal mail (8%)	Monthly (65%); Quarterly (24%), Bi-annually (12%)	Clear (94%)	Detailed (94%)
<b>National Custom Authorities</b>	E-mail (100%)	Monthly (84%); Quarterly (9%), Bi-annually (4%), Annually (2%)	Clear (11%)	Detailed (73%)

Source of Information	Method of communication	Regularity	Clarity	Level of detail
<b>Partner Country Customs Authorities</b>	E-mail (100%)	Monthly (100%)	Clear (50%)	Detailed (50%)
<b>National Business-association</b>	E-mail (100%)	Monthly (67%); Bi-annually (11%); Annually (22%)	Clear (100%)	Detailed (89%)
<b>Partner Country Business Association</b>	E-mail (100%)	Monthly (100%)	Clear (100%)	Detailed (100%)
<b>Buyer or source of supply in partner country</b>	E-mail (92%); Fax (8%)	Monthly (88%); Quarterly (13%)	Clear (100%)	Detailed (80%)
<b>National Customs Brokers</b>	E-mail (100%)	Monthly (92%); Quarterly (8%)	Clear (92%)	Detailed (94%)
<b>Partner Country Customs Brokers</b>	E-mail (100%)	Monthly (100%)	Clear (100%)	Detailed (100%)
<b>Other National Organization</b>	E-mail (100%)	Monthly (100%)	Clear (75%)	Detailed (100%)
<b>Other Partner Country Organization</b>	E-mail (100%)	Monthly (100%)	Clear (100%)	Detailed (100%)

In 2015, traders highlighted the lack of information about the EU requirements as a main obstacle to business development. Similar concerns were raised by representatives of chambers of commerce and industry, who noted that the enterprises' and market support institutions' understanding of applicable measures is fragmented. The most incomprehensible for traders are quality and safety requirements. For example, enterprises are struggling to adhere to the stringent requirements on the toxic materials, and several were forced to shut down completely.

Training, which is essential for filling this information gap, does not figure on the traders' list of information sources. Only 13 percent of the interviewed traders said that they benefited from training, which was provided sporadically by customs, MEDTTE and international suppliers.<sup>67</sup> Traders said that they found training by international suppliers most useful, in fact indispensable, as it covers such issues as the technical characteristics of the products and innovative ap-

proaches to industrial organization and supply chain management.

Furthermore, traders lamented that there is little advance notification, and almost no consultation with the private sector about new/revised laws and procedures. Traders also noted the high degree of uncertainty that new/revised laws and procedures engender. There is often a gap between their scheduled entry into force and actual application, and insufficient information about the day-to-day aspects of implementation.

Indeed, only 32 percent of the interviewed traders reported being involved in public-private sector consultations. Of these, 48 percent said that such consultations are organized on an *ad hoc* basis by the Customs authorities separately or jointly with the Chambers of Commerce and Industry or tax authorities. The consultations usually involve soliciting feedback as to the problems traders face during export-import activities as well as proposals for simplifying and streamlining trade-related regulations and procedures. However, the consultations do not lead to follow-up measures.

<sup>67</sup> Of the 13 percent who reported receiving training, 20 percent said that the training was provided by MEDTTE and another 10 percent identified customs as the provider of training services. The remainder said that they were trained by international suppliers.

Indeed, a general theme emerging from the interviews is the need for ensuring that private sector stakeholders access clear and comprehensive up-to-date information on applied trade regulations, planned reforms and consequential changes to administrative procedures. The private sector should also be consulted about new proposals, and be allowed to play a full and active role in implementing agreed changes. While the law provides for advance notification, there seems to be limited mechanisms within Government agencies, understood in the form of procedures and systems, to solicit feedback from private stakeholders.

Interviewed traders noted that under the existing conditions, where there is a lack of information about regulatory and procedural requirements, a lack of clarity as to the rights and obligations of State agencies and enterprises and a lack of service standards, informal payments have become pervasive. As shown in the next sections, informal payments occur at virtually every stage of the import and export processes. These payments are initiated by traders who want to speed up the process or by officials to waive certain documentation, issue certificates and permits more quickly or clear cargo without examination.

Such practices have been at the center of reforms as part of a broader anti-corruption effort, which has seen the establishment of a National Coordinator for Anti-Corruption in November 2013. The coordinator is supported by a network of focal points in line ministries and independent institutions, who are charged with monitoring the implementation of the Anti-Corruption Strategy and Action Plan.<sup>68</sup>

Most recently, the Government created an Investment Council (IC) to support public private dialogue on good governance.<sup>69</sup> In 2015-16, the IC was discussing measures for cutting down on red tape within the context of the “National De-regulation Initiative”. Most notable among these measures was the merging of the National Registration Centre and

National Licensing Centre into a one stop facility, a National Business Centre (NBC).

The private sector’s views are also solicited through the National Economic Council (NEC), which was established in 2014. The NEC brings together public and private sector stakeholders to provide action-oriented recommendations for improving the business climate.<sup>70</sup>

Reforms have also featured a special emphasis on ensuring due access to public information. Most notable in this respect is the new 2014 Freedom of Information Law, which provides for a rigorous monitoring and evaluating system for a proactive and timely dissemination of unclassified public information,<sup>71</sup> and the National Agency for the Information Society (NAIS) e-Government Interoperability Framework (e-GIF). Among the key deliverables under this initiative is the Digital Albania portal that was launched in 2009 to set the context of an all-inclusive e-governance system and strengthen public participation in decision-making processes.<sup>72</sup> In 2015, the portal, which is listed among the priority areas for further development,<sup>73</sup> provided information in Albanian on the services provided by Albanian government, key legislation on social issues and links to governmental institutions and industry organisations. However, the information is published in Albanian, with limited entries on trade-related regulations and procedures.

The above-mentioned efforts bore fruit, with the Country’s ranking in the global Transparency International Corruption Perception Index dropping from 110 in 2014 to 88 in 2015.<sup>74</sup> The next step would be to consolidate these horizontal initiatives with vertical, trade-focused public-private consultation mechanisms geared toward increasing overall transparency.

In 2016, the Government established a National Committee, which brings together relevant public

<sup>68</sup> See Albania’s Anti-Corruption Strategy 2014-2017, which was adopted in April 2014.

<sup>69</sup> See Decision of Council of Ministers No. 294 of 8 April 2015 “On the establishment of the Investment Council”. Albania’s Investment Council (<https://www.investment.com.al/>) was created with the support of the European Bank for Reconstruction and Development (EBRD) within the context of the Bank’s Investment Climate and Governance Initiative (ICGI).

<sup>70</sup> See Law No. 57/2014 of 17 July 2014 “On the establishment and operation of the National Economic Council”.

<sup>71</sup> See Law No. 119/2014 “On the Right to Information” of 18 September 2014. The said Law replaces Law No. 8503 of 30 June 1999 “On the Right to Information over the Official Documents”.

<sup>72</sup> The portal can be accessed at: [www.e-albania.al](http://www.e-albania.al)

<sup>73</sup> See the National Strategy for Development and Integration (NSDI) for the period 2014-2020.

<sup>74</sup> Further details are available at: <https://www.transparency.org/country/#ALB>



and private sector stakeholders, for coordinating and overseeing trade policy-making. The Committee will coordinate and supervise the development of trade facilitation measures as per the requirements of the WTO Agreement on Trade Facilitation.<sup>75</sup> The challenge is to ensure proper coordination with existing inter-agency<sup>76</sup> and public-private sector consultation mechanisms, including NEC and IC, so as to avoid duplication of work.

The Government may wish to draw on its previous experience in establishing a trade facilitation committee during the 1990s, which saw the establishment of the Albanian PRO<sup>77</sup> Committee (ALBPRO). The committee, which was established in 1998 within the context of the donor-funded Southeast European Cooperative Initiative, was mandated with the task of promoting public-private sector consultations; proposing action-oriented projects and programmes for simplifying trade-related regulations and procedures; and providing training services to the business community.<sup>78</sup>

The Committee registered important achievements in the area of training for businesses and transport operators; developed awareness raising campaigns on trade facilitation issues; and advanced concrete recommendations for the Government's consideration. However, ALBPRO was unable to design projects, carry out professional studies or formulate trade facilitation programmes as foreseen by law, owing to the lack of resources beyond what was made avail-

able through the donor funded initiative.<sup>79</sup> ALBPRO was dismantled in 2008. Its demise was also due to a hesitant business community, which remained a reluctant partner throughout ALBPRO's short-lived experience.

This study documents how the lack of transparency poses a significant trade barrier, which not only increases transaction costs, but also creates a disincentive to greater engagement in production and foreign trade activities. Addressing this shortfall should, therefore, be accorded priority treatment along with the consolidation of the rule of law as a pre-requisite for ensuring successful implementation of reforms. Table 3.3 provides a number of recommendations for the Government's consideration.

<sup>75</sup> Ministry of European Integration of the Republic of Albania to the EU-Albania Stabilization and Association Committee, dated 11 March 2015.

<sup>76</sup> In 2015, inter-organizational cooperation was ensured through a standing Institutional Working Group (TWG) that was established in 2010 pursuant to Prime Minister's Order No. 133 of 28.6.2010. Initially designed to support the first Trade Policy Review process in WTO, the IWG was transformed into a permanent working group for coordinating trade policy across line ministries. As highlighted by the Ministry of European Integration, the TWG's work was undermined by a too broad a scope, so that it cannot respond to the pressing concerns of trade policy coordination. It also does not feature representatives from the private sector, thus, missing a key counterpart for consultation and coordination. Source: Ministry of European Integration of the Republic of Albania to the EU-Albania Stabilization and Association Committee, dated 11 March 2015.

<sup>77</sup> PRO stands for procedures.

<sup>78</sup> ALBPRO was established pursuant to the Council of Ministers Decision No. 636 of 8 October 1998.

<sup>79</sup> UNCTAD (2006) Trade Facilitation Handbook, Part I, National Facilitation Bodies: Lessons and Experiences.

Table 3.3- Outstanding needs and recommendations for improving transparency

Outstanding needs	Recommendations
<p><b>Up-to-date information on trade-related rules and administrative procedures and their implication</b></p>	<ul style="list-style-type: none"> <li>● State agencies' institutional websites should be kept up to-date and improved to offer detailed information in more than one language (at least in Albanian and English) on applied regulations and associated administrative procedures, including fees and forms. Customs should also consider establishing a new e-Customs portal, dedicated for the publication of up-to-date information on regulatory and procedural clearance measures.</li> <li>● State agencies should publish brief explanatory brochures (both in electronic format and hard copies) on the steps that traders should follow to ensure due diligence in fulfilling the legislative requirements. These brochures should be developed in close cooperation with business networks and associations, in order to ensure responsiveness to the enterprises' needs and the broadest possible dissemination of information.</li> <li>● The National Agency for the Information Society, in its capacity as the responsible State body in this area, need to consolidate all information on trade-related regulations and procedures in a one-stop-shop information centre as part of the e-Albania portal. The emphasis should be on ensuring a clear, easy to grasp classification of information, with links to the explanatory brochures published by the State agencies and their institutional websites. The centre should also provide information on the support services provided by transport operators, customs brokers, banks and associations.</li> <li>● Establish standing working procedures with the media to ensure prompt dissemination of information on new regulations and procedures.</li> <li>● Establish a national enquiry point for trade.</li> <li>● Establish a focal point to solicit the private sector's views on new/ revised laws before their entry into force based on clearly defined guidelines and procedures. This focal point could be the national enquiry or a market support institution that is willing to invest in assuming such a role.</li> </ul>
<p><b>Support services to enable the business community to fulfil EU regulatory requirements</b></p>	<ul style="list-style-type: none"> <li>● Establish, as part of the national enquiry point, a help desk, which is dedicated to addressing the business community's concerns over EU regulatory requirements and associated reforms in relation to phytosanitary and veterinary measures; customs procedures; and, safety and quality requirements.</li> <li>● Establish, as part of the e-Albania Portal, a comprehensive information centre about EU regulatory and procedural requirements; planned reforms; consequential changes to administrative procedures the timing of these changes; and, the areas in which no change will be required.</li> <li>● Prepare issue-focused information notes and explanatory brochures to familiarize traders with the basic tenants and concepts underpinning EU regulations (e.g., the concept of trade facilitation under the new customs code and the implications of the EU New Legislative Framework, which as shown in the next chapter introduce important obligations for enterprises) and associated procedures. The notes and explanatory brochures should be published on the State agencies' websites and the one-stop-information centre. This requires intensive consultations among State agencies within the context of a public-private sector participatory approach.</li> </ul>



Outstanding needs	Recommendations
<b>Establish a trade training facility</b>	<ul style="list-style-type: none"> <li>● Establish a permanent trade training facility within existing market support institutions (ideally the chambers of commerce and business networks, as these have extensive membership) equipped with experts and trainers: <ul style="list-style-type: none"> <li>– Create a core team of experts through training of trainers programmes</li> <li>– Prepare advanced issue specific training materials (e.g., NLF, trade facilitation, quality standards and safety requirements), adjusted to the national context.</li> <li>– Prepare brief, easy to grasp issue specific brochures</li> <li>– Link the training facility with regional and international institutions providing similar services</li> <li>– Cooperate with specialized international training centres.</li> </ul> </li> </ul>
<b>Develop the National Trade Facilitation Committee and equip it with a permanent secretariat</b>	<ul style="list-style-type: none"> <li>● Establish detailed terms of reference for the Committee, including cooperation mechanisms with existing bodies (e.g., IC and NEC) and interagency coordination mechanisms<sup>80</sup> to avoid duplication. In so doing, the Government may consider drawing on the experiences of other countries and seeking the support and advice of specialized agencies.</li> <li>● Successful experiences suggest that the private sector's support could be best ensured if the committee has an executive board that brings together representatives of public and private sector stakeholders, including traders. The Board would be responsible for overall strategic guidance, mobilizing resources and supervising the secretariat.</li> <li>● Successful experiences show that while State support is important, sustainability could be best achieved if the committee has its own revenue sources. As such, it is important to decide on the type of services that the committee could provide during the design phase.<sup>81</sup> Experience also suggests that sustainability could be best achieved if the committee is hosted within an existing institution with well-established revenue sources.</li> <li>● Equip the committee with a benchmarking and monitoring tool to assess progress in removing regulatory and procedural barriers to trade (the trader database consolidated as part of this study provides a useful starting point).</li> </ul>

### 3.3 Documentary requirements and use of electronic documents

Existing legislation limits the number of documentary requirements for customs clearance to the minimum.<sup>82</sup> The customs declaration aside (structured on

the basis the Single Administrative Document-SAD, with entries filed electronically via ASYCUDA), traders are required to submit the commercial invoice, transport documents and the packing list along with the trader identification number (TIN). Traders are also required to submit a summary declaration containing necessary information for identifying the goods, which they prepare themselves,<sup>83</sup> along with a bank

<sup>80</sup> In 2015, inter-organizational cooperation was ensured through a standing Institutional Working Group (TWG) that was established in 2010 pursuant to Prime Minister's Order No. 133 of 28.6.2010. Initially designed to support the first Trade Policy Review process in WTO, the IWG was transformed into a permanent working group for coordinating trade policy across line ministries. As highlighted by the Ministry of European Integration, the TWG's work was undermined by a too broad a scope, so that it cannot respond to the pressing concerns of trade policy coordination. It also does not feature representatives from the private sector, thus, missing a key counterpart for consultation and coordi-

nation. Source: Ministry of European Integration of the Republic of Albania to the EU-Albania Stabilization and Association Committee, dated 11 March 2015.

<sup>81</sup> See, UNCTAD (2006) Trade Facilitation Handbook, Part I, National Facilitation Bodies: Lessons and Experiences.

<sup>82</sup> See Articles 142 and 145 of the Decision of the Council of Ministers No. 205 "On Approval of the Customs Code Implementing Provisions", dated 04.13.1999, as amended.

transaction slip to prove payment of trade taxes and customs duty.

Additional documents are required for products that jeopardize State security or pose unacceptable risks to consumer safety, the environment and animal health. For such products, traders are expected to provide one, or several, of the following documents: Export/import permits for military equipment and technologies and dual use goods; import permits (medicine, waste materials, live animals, leather, feed, biological material for animal insemination, veterinary drugs and vaccines, certain fish and plant products and wild species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora to which Albania is a signatory); certificate of analysis; certificate of origin; quality certificate; conformity certificate for construction materials;<sup>84</sup> phytosanitary certificate (for plant products); and, sanitary certificates (for animal products, food, animal feed and pharmaceuticals).

Interviewed traders reported presenting up to seven documents for customs clearance purposes, which is quite reasonable and in tune with international trends. The problem stems from the lengthy periods for obtaining these documents. Indeed, traders measure the level of difficulty in obtaining documents against the associated waiting time. Documents involving a 2-day waiting period are, therefore, considered as easy to obtain, even though they contradict international best practices.

As shown in table 3.4, for exporters, the most difficult to obtain documents are those associated with fulfilling quality and safety requirements for reasons that have to do with the lack of adequate testing laboratories (Chapter 4). Phytosanitary certificates stand out as the most difficult to obtain, which, for certain products, involve a waiting period that could go up to four weeks.

**Table 3.4 - Export documents by level of difficulty and waiting time**

Export document	Level of difficulty	Time to obtain	Product
<b>Phytosanitary certificate</b>	Difficult	4 weeks	Raw materials for industrial butter, Carton Packaging, dried fruits and spices
<b>Certificate of analysis</b>	Difficult	2 weeks	Honey
<b>Certificate of analysis</b>	Difficult	2 weeks	Sage
<b>Certificate of analysis</b>	Difficult	1 week	Cucumber, tomatoes, pepper, lemons, water bottles
<b>Certificate of quality</b>	Difficult	1 week	Water bottles, tomatoes, lemons, pepper, honey, cucumber
<b>Phytosanitary certificate</b>	Difficult	1 week	Spices, carton packaging, dried fruits, herbs
<b>Certificate of quality</b>	Difficult	1 week	Pepper, honey, tomatoes and cucumber
<b>Certificate of analysis</b>	Difficult	1 week	Bottles of water
<b>Phytosanitary certificate</b>	Difficult	4 days	Tirana Beer

<sup>83</sup> The summary declaration should be lodged with the customs authorities within a specific time frame (See Article 60 of the 1999 Customs Code).

<sup>84</sup> Law No. 8402 of 10 September 1998 "On control and discipline of the construction works"

Export document	Level of difficulty	Time to obtain	Product
Certificate of analysis	Difficult	3-4 days	Beer
Veterinary certificate	Difficult	4 days	Milk (fresh)
Veterinary certificate	Difficult	4 days	cheese
Veterinary certificate	Difficult	4 days	Sausage (fresh)
Certificate of analysis	Easy	1 day	Efridol (analgesic )
Certificate of origin	Easy	1d	All products
Certificate of quality	Easy	2 days	Sage
Certificate of quality	Easy	1 day	Bottles of water, varnishes
Certificate of quality	Easy	1 day	Varnishes
Phytosanitary certificate	Easy	2 days	Wood packaging material
Packing list	Easy	1 day	All products
Phytosanitary certificate	Easy	1 day	watermelon
Phytosanitary certificate	Easy	1 day	Sage
Phytosanitary certificate	Easy	1 day	Oregano
Certificate of quality	Easy	2 days	Furniture
EURO 1	Easy	2 days	Furniture
EURO 1	Easy	1 day	Beer
Phytosanitary certificate	Easy	2 days	Pallets

The second difficult to obtain document is the certificate of analysis (CoA), which involves a waiting period of up to two weeks.<sup>56</sup> The delays are mainly due to capacity shortfalls within testing laboratories, most of which are State-owned. Existing laboratories lack modern equipment and expertise skills, and do not cover all the sectors (Chapter 4). In an attempt to circumvent such delays, some exporters resort to pri-

vate laboratories, which are not accredited by DPA. However, as shown in the next section, they end up accruing additional costs, in the form of re-testing fees and delays, as the CoA is rejected at the border. Yet others, use the services of testing laboratories in importing countries, with the consequence of assuming additional costs as shown in the BPA (Annex III).

<sup>56</sup> Issued by specialized laboratories, CoA typically includes specific test conditions, test parameters, test specifications. It is often a requirement for issuing certificate of conformity, which is issued by a competent authority to testify that the product meets the required regulatory requirements and specifications.

Delays at the border are also common for exporters who obtain certificates from accredited testing laboratories. This is particularly the case of exporters of chemical products. According to customs brokers, certificates are sometimes issued based on the prod-

uct's commercial name, as opposed to the chemical name, so that the tariff code mentioned in the customs declaration is wrong. Customs officials have to delve into their database to figure out the exact chemical name, with the consequence of delaying the clearance process.

On their part, importers singled out labelling requirements, which stipulate that labels should be in Albanian,<sup>86</sup> as particularly challenging. Translation costs aside, traders said that they have to hire additional labour to handle the associated logistics, as the translated information should be printed on stickers and affixed to each package prior to customs clearance. For some traders, these costs amount to 30 per cent of the product's value, and the entire process is complicated by the lack of storage facilities at most border crossing points.

To avoid such costs, some importers request suppliers to provide a single label in Albanian. This was the case of wine importers, whose efforts were met with failure. Exporters argued that this would change the packaging product and mislead consumers seeking foreign products. Similarly, the efforts of importers of medicinal products, who also have to translate the leaflets,<sup>87</sup> were met with failure, given the small size of consignments. For these traders, the process of affixing stickers is complicated by the lack of specialized translators in Albania. As such, consignments, especially those consisting of new products, are often delayed pending clarifications on the information provided in the Albanian labels.

The assessment also reveals instances of repetitive submission of similar or identical information. Importers transporting shipments by road said that each truck should be accompanied by the complete set of documents in the original, with copies in Albanian (prepared and signed by a certified translator), even if the trucks were transporting the same product. The additional legwork aside, as the supplier has to prepare several sets of original documents, this requirement creates a significant financial burden, as traders pay an average of €10 per page for notarized translation. For technical reports, such as laboratory test results and product certificates, the costs are

much higher. A case in point is an importer of pharmaceutical products, who said that he allocates € 90,000 per year for preparing certified translations of such documents. Traders added that the translated copies should be authenticated (notarized) by the Ministry of Foreign Affairs. However, only a few mentioned that they adhere to this requirement.

Importers also complained that customs does not acknowledge the origin of goods provided under the EUR 1 certificate, and proceeds to block the entire consignment until the trader submits a Certificate of Origin (CoO). This requirement contrasts with existing practices in EU countries, whereby the EUR 1, is recognized as a certificate of origin.<sup>88</sup> It also creates significant delays, of at least an entire day to resolve the issue with customs, since authorities in exporting countries only issue CoO upon request. Several traders said that they request the exporter to send the document with each shipment to avoid delays.

Importers of products subject to health and safety requirements complained about the retesting procedures during customs clearance, because Albanian authorities reject the accompanying documents provided by suppliers (section 3.4).

For those importing pharmaceutical products, meeting the documentary requirements is complicated by the lack of coordination between State agencies. Traders reported that obtaining import permits from the National Agency of Drugs and Medical Devices (NADMD), previously the National Centre for Drugs Control (NCDC),<sup>89</sup> takes up to 15 days even though the medicine in question has undergone the registration process.<sup>90</sup> For importers of medicine included

<sup>86</sup> See Council of Ministers Decision No. 1344 of 10 October 2008 "On the labelling of food products".

<sup>87</sup> See Law 105/2014 "On drugs and pharmaceutical service" and Law No. 9902 of 17 April 2008 "On the protection of consumers".

<sup>88</sup> The EUR1, which is commonly referred to as the movement certificate, enables importers in certain countries to import goods at a reduced import duty or duty free under trade agreements with the EU, especially within the framework of several bi- and multilateral agreements of the Association Agreements. It is also recognized as a certificate of origin.

<sup>89</sup> The agency was renamed pursuant to Law 105/2014 "On drugs and pharmaceutical service". NADMD's structure and functions were approved under COM Decision No. 24 of 14 January 2015 "Approval of structure and functioning of the National Agency of Drugs and Medical Devices", which expanded the agency's areas of work to include control of medical devices.

<sup>90</sup> The NADMD, which operates under the Ministry of Health, is responsible for quality control of imported medicine and for maintaining a national compendium of registered medicines and licenses provided to pri-

in the Health Insurance Institute national reimbursement list, also known as the positive list, their requests are often rejected, because the Permanent Drugs Commission refuses to re-register the medicine in question even though it is included in the list.<sup>91</sup> Still for others, obtaining import permits is hampered by delays associated with registering the product. A case in point is an importer of the Food and Drug Administration (FDA)-approved Embel medicine. The trader said it took six months to register the product with the NADMD even though he submitted all the required support documents. This comes in contrast with the existing legislation, which stipulates that imported medicine can receive registration by means of acceptance of respective certificates issued by major international bodies, such as the FDA, without further scientific evaluation.<sup>92</sup>

vate institutions (including manufacturers, pharmacies and drug depots). The licenses for private institutions are provided by the Licensing Commission, which also operates under the Ministry of Health. See Law 105/2014 "On drugs and pharmaceutical service".

<sup>91</sup> The Permanent Drugs Commission works under the responsibility of the Ministry of Health, and brings together representatives of public and private sector institutions from the pharmaceutical and health sectors. The positive list includes generic medicine for chronic and acute diseases. Drugs destined for inclusion into the Health Insurance Institute reimbursement list are approved by the Reimbursement Commission, which brings together representatives of public and private sector institutions from the pharmaceutical and health sectors. See Law 105/2014 "On drugs and pharmaceutical service; and, Decision of the Council of Ministers No. 645 on "Drugs Prices Commission" of 1 October 2014.

<sup>92</sup> The law stipulates that imported medicine can receive registration by means of acceptance of the respective certificate provided by such agencies without further scientific or technical evaluation. Drugs already registered with the European Medicine Evaluation Agency (EMA), with the US Food and Drug Administration (FDA), in Australia, Canada and Switzerland, as well as the drugs registered in compliance with the community procedures in the European Union, shall be automatically registered following an accelerated procedure upon verification of the authenticity of the submitted documents. The accelerated procedure is provided under CoM Decision no. 299, dated 8 April 2015, and involves the following steps: First, in a preliminary procedure, the NADMD confirms the validity of the request and accompanying documents within 15 days from the application. Within this period, it requests official information from the relevant authorities that have issued European the EMA FDA certificate. Thereafter, the Agency transfers the file to the Permanent Drugs Commission, which assesses the documentation within 20 working days. If the documentation is in order, the Agency provides the recommendation to issue the

Yet another difficult to obtain document reported by medicine importers is the permission of use, which includes the selling price and control stamp to be affixed to the package. This document is issued by the NADMD once the shipment has passed inspection and customs clearance based on the support documents presented by traders (including the invoice, pharmacology analysis, and the certificate of origin), and onsite inspections at the Customs warehouse.<sup>93</sup> The traders complained that obtaining this document takes at least one week, the time needed for completing the laboratory tests.

Traders drew attention that it is often the case that the NADMD proceeds to take samples for issuing the permission of use, even though the imported products are registered and have obtained marketing authorisation by a major international agency such as the European Medicine Evaluation Agency. Yet, the NADMD proceeds to conduct laboratory tests in order to provide the permission of use. NADMD control procedures contradict with the principles of trade facilitation and need to be addressed.<sup>94</sup>

For wholesalers importing medicine included in the reimbursement list, obtaining the permission of use is complicated by disputes over the selling price, which is based on the CIF price with added margins for distributors (wholesale) and retailers (pharmacies) set up following a regressive mark-up scheme.<sup>95</sup> NADMD invariably imposes prices that are below regional levels, even though existing legislation stipulates referencing prices for similar medicine

marketing authorisation within 5 working days. To be more specific, the Agency submits the proposal to the Minister of Health for issuing the marketing authorisation after receipt of the positive recommendation by the Permanent Drugs Commission.

<sup>93</sup> See Law 105/2014 "On drugs and pharmaceutical service" of 31 July 2014 and Ministry of Health Order No. 682 of 12 December 2008 "On Drug Import".

<sup>94</sup> See Law 105/2014 "On drugs and pharmaceutical service".

<sup>95</sup> Existing legislation bases the price of imported medicine on the CIF price with added margins for distributors (wholesale) and retailers (pharmacies), which are set up following a regressive mark-up scheme that is updated annually. The mark-up scheme is based on CoM Decision No. 143, dated 18 February 2015 "On definition of the margin of drugs trade and production". For drugs that are in the reimbursement list, a differentiated margin is applied as per CoM Decision No. 348 dated 25 May 2016.



sold in Italy, Greece and the FYROM.<sup>96</sup> For example an importer of Abioclav from Italy said the medicine was sold for €3 per package in local markets in 2015, which was well below the buying price (€12 per package). Such disputes argued traders could be avoided if the prices were communicated to the companies in advance, upon applying for/ or immediately after obtaining import permits.

In addition, the assessment reveals that more should be done to promote the use of electronic documents. Although importers and exporters are allowed to submit their declaration transactions online using *ASYCUA World*, the majority elect to use the services of customs brokers. For some traders, using such services is more convenient, since they do not have the required IT systems to submit the customs declarations online (connectivity with *ASYCUDA World* is a pre-condition for declarants). For others, the lack of clarity over the applied rules and regulations renders the use of customs brokers a natural path to follow, especially since the majority have well established relations with Customs.

Traders as well as customs brokers also complained that the online system is not reliable, due to recurrent electricity outages. Several were sceptical about the use of electronic documents, noting that efficiency gains generated from the *ASYCUDA World* are undermined by cumbersome procedures. The Customs Clearance Attestation, which marks the completion of the clearance process, was the object of complaints by all traders. They described a time consuming process, whereby the customs declaration is printed out and then duly stamped by the customs officer of verification, customs officer of physical control and the custom officer of valuation (section 3.4).<sup>97</sup>

Officials recognized the need to promote the use of electronic documents, and highlighted the establishment of a Single Window following the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendation 33 as an important step in that direction.<sup>98</sup> However, embarking

on such an undertaking requires extensive preparations. To begin with, it would be more prudent and cost-efficient to expand the range of services offered by the Customs SW and ensure that these are of high quality and in full adherence to the EU requirements. There is also the need to equip State agencies with the necessary IT systems and capacities, and create a core team of experts on SWs within State agencies and service providers.

This is important for ensuring proper planning, based on broad based consultations on, among others, the scope of the SW, its structure, development needs, implications for regional integration and the sequence of the capacity building efforts.<sup>99</sup> All parties should be able to answer such questions as should the development of the SW include (and commence with) the re-engineering of business processes in the other agencies involved? Will this go so far as to include the rationalisation and harmonisation of data and data elements, and if so, then in line with which international standards?

It is also important to ensure synergies with ongoing efforts to integrate the EU systems (ITMS, EMCS and NCTS) and broader national initiatives under e-GIF. In addition to providing a one-stop information centre, the framework involves integrating all existing Government information systems into a single environment that is fully interoperable at national and international level and enables the provision of public services online while ensuring that personal data is protected. Above all, any SW plan should be tested through cost-benefit analysis as well as regulatory impact assessment, and measured against successful experiences elsewhere.

Beyond the above, the assessment suggests that more needs to be done to promote the use of digital

<sup>96</sup> See Decision of the Council of Ministers (CoM) Decision 645 of 10 October 2014, which increased the number of price-referencing countries to 5 Croatia, FYROM, Greece, Italy and Serbia.

<sup>97</sup> The printout follows the same SAD format used under the *ASYCUDA*.

<sup>98</sup> As established under UN/CEFACT Recommendation No. 33, a SW is “a facility that allows parties involved

in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once”.

<sup>99</sup> The emphasis on regional coordination and harmonization with EU wide efforts is best expressed in Albania’s National Action Plan for the Implementation of the Regional SEE Strategy for the period 2014-2020. The plan stipulates evaluating opportunities to create Single Window in Customs to facilitate commercial transactions and reduce the time and costs associated with cross border trade.

signatures. The legislation<sup>100</sup> and IT infrastructure are well established, and the entire system is administered by the National Authority for Electronic Certification (NAEC).<sup>101</sup> However, the business community seems to be hesitant to invest in this area, with only one registered private Certification Service Provider (CSP) in 2015.<sup>102</sup>

The assessment also suggests that more needs to be done to develop the expertise skills of customs brokers. Customs officials complained about the uneven performance of customs brokers, noting that errors are common. Similar views were expressed by customs brokers, who highlighted the unregulated nature of the profession as a hindrance to efficient declaration processing.

Indeed, the existing system could benefit from improvements. Customs brokers can establish a business by meeting criteria relating to their business premises, number of employees, conduct (i.e., lack of criminal record) and connectivity to the ICIS system of Customs. They must also arrange for a minimum financial guarantee, which was set at 10,000,000 ALL in 2015. Prospective brokers must also pass theoretical and practical tests administered by Customs, following which they would receive the licence to operate. The licence is renewed annually, once evidence of guarantee renewal has been presented. Subsequent broker training is voluntary, as is staying abreast of legislative and procedural developments, though Customs authorities could withdraw licences in cases of poor performance.

The introduction of a proper system for testing, training, licensing, accrediting and for monitoring the performance of customs brokers is, therefore, needed to reduce processing errors and improve the quality of advice provided to traders. More importantly, it would professionalise the industry, and lend brokers the required credibility and authority

for exercising an advocacy role. In 2015, Albania did not have an overarching body for presenting customs brokers.

There is also the need for providing traders with up-to-date information on documentary requirements associated with products subject to mandatory regulations, along with detailed instructions for fulfilling these requirements. Officials noted that traders bring about significant delays for failing to meet documentary requirements. Mistakes in submitted documents are common, and it is often the case for traders to fail to present the complete set of documents as established by law.

Indeed, traders drew attention to the lack of clarity about documentary requirements. A case in point is related to importing dual-use goods, which require obtaining permits from AKSHE. Traders said that they are unclear as to the list of products for which this document is required, noting that they are informed on a case by case basis and only upon the arrival of their consignments to the designated customs terminal, where it is withheld for failing to meet documentary requirements.

The difficulties reported by traders reflect a number of weaknesses that cannot be addressed by rationalizing and standardizing documentary requirements only. There is a need to improve the country's network of testing laboratories, which cause significant delays. There is also the need to address contradictions in existing laws, and ensure due implementation of reforms. The assessment also shows that fulfilling documentary requirements does not necessarily guarantee speedy customs clearance. Retesting imports that have undergone testing processes by accredited laboratories is unnecessary and runs against the principles of trade facilitation.

Table 3.5 provides a number of recommendations for streamlining and simplifying documentary requirements. These are complemented by detailed recommendations in the areas of border control and quality assurance in sections 3.4 and chapter 4, respectively.

<sup>100</sup> Albania adopted the law on electronic signature in 2008.

<sup>101</sup> See Law No. 9880 on Electronic Signature, dated 25 February 2008 and subsequent amendments. The law is harmonized with EU Directives and is available, along with the different ordinances guiding its implementation, at: <http://www.akce.gov.al/en/legjislacion-3/law-dcm>

<sup>102</sup> Registered CSPs are published online at: <http://www.akce.gov.al/en/registry>



**Table 3.5- Outstanding needs and recommendations for rationalizing and standardizing information requirements**

Outstanding needs	Recommendations
<b>Address instances of repetitive submission of similar or identical information</b>	<ul style="list-style-type: none"> <li>● Reduce the documentary requirements for inbound consignments shipped by road: <ul style="list-style-type: none"> <li>– Limit the number of documents that should be accompanied by notarized translation.</li> <li>– For technical documents, such as laboratory test results, establish guidelines as to the essential information that needs to be translated into Albanian.</li> <li>– Traders transporting truckloads containing the same product should be waved from the repetitive submission requirement.</li> </ul> </li> <li>● EUR1 certificates should be recognized as a CoO as per established practices and rules. Departure from this rule should be kept to the minimum.</li> </ul>
<b>Address the lack of clarity over documentary requirements</b>	<ul style="list-style-type: none"> <li>● Publish a complete list of documentary requirements for products subject to mandatory regulations, along with detailed instructions and associated prices, and inform traders, through the media, and via customs alerts on changes to this list.</li> </ul>
<b>Help traders comply with labelling requirements</b>	<ul style="list-style-type: none"> <li>● Establish a national help desk for enabling importers to fulfil regulatory requirements, including bargaining with international suppliers to provide labels in Albanian (where possible) and providing translation services. This is an area that can be handled by the national trade facilitation committee.</li> </ul>
<b>Establish a strategic framework for ensuring greater use of electronic documents and guiding the establishment of the SW facility</b>	<ul style="list-style-type: none"> <li>● The strategic framework should be based on: <ul style="list-style-type: none"> <li>– A technical paper detailing the institutional requirements, including information, communication and technology systems, for reconciling the definition and formats of data elements associated with fulfilling all import, export, and transit-related regulatory procedures in a manner that would ensure the elimination of redundant data and duplication in exchanging and recording information. The technical paper could be prepared using the UN Data Harmonization and Modelling Guide for Single Window Environment.<sup>103</sup></li> <li>– Undertake a comprehensive cost-benefit analysis, including a proper comparison with other options, and a regulatory impact assessment, before any further work is done</li> </ul> </li> <li>● Create a core team of SW experts within the Customs authority and relevant State institutions</li> <li>● Establish testing and confirmation bodies to support the implementation of the electronic signatures.</li> </ul>

<sup>103</sup> The guide was developed by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in collaboration with UNECE and the United Nations Network of Experts for Paperless Trade in Asia

and the Pacific (UNNExT). The guide is available at: [http://unnex.unescap.org/tools/data\\_harmonization.asp](http://unnex.unescap.org/tools/data_harmonization.asp)

Outstanding needs	Recommendations
<p><b>Create a proper system for regulating customs brokers</b></p>	<p>A proper system for testing, training, licensing, accrediting, and monitoring customs brokers should be put in place, preferably in line with the ‘best practices model for licensing customs brokers’ promulgated by the International Federation of Customs Brokers Associations (IFCBA). This system should involve:</p> <ul style="list-style-type: none"> <li>– The licensing of applicant brokers by the GDC (subject to (i) their initially meeting a range of eligibility criteria, and (ii) their subsequently passing an examination).<sup>104</sup></li> <li>– Training for applicant brokers, by the brokers association (if re-established), to prepare them for that examination).</li> <li>– Joint preparation of the exam by the GDC and the brokers association, but its administration solely by the customs authority.</li> <li>– Continuous professional/ technical training for brokers, once licensed; and</li> <li>– Further improvement of the industry standards of professional practice by the brokers association by adopting new methods for training, licencing and monitoring; and, establishing periodical assessments (through tests) of custom brokers.</li> </ul>
<p><b>Improve the overall institutional set-up for regulating trade in pharmaceutical products</b></p>	<ul style="list-style-type: none"> <li>● The Drug Pricing Commission may need technical assistance to build capacity to use reference pricing mechanisms.</li> <li>● The laws should ensure that Customs and the NADMD have the capacities in place and clear mandates to collaborate and perform these duties: Albanian Customs and the NADMD should be assisted to conduct systemic inspection, whereby stated CIF price is cross-checked against accompanying documents during the customs clearance process, including company contracts and bank transfer documents, to prevent document falsification. Inspections by NADMD and Customs officials should also use reference pricing from other markets to verify manufacturers’ stated costs.</li> <li>● Improve reference pricing mechanisms for similar drugs by increasing the number of countries against which systematic comparisons are made.</li> <li>● Consider the adoption of a single consolidated margin for at least main imports instead of the applied mark-up scheme. Given the limited competition in the Albanian market, there is an incentive for traders to keep the CIF high and to extract the highest margin permitted. Several sources interviewed for this study stated that there would be more price competition if importers, distributors, and retailers were left to negotiate how to divide the permitted mark-ups. Several importers also cited their inability to adjust prices midyear, in view of currency exchange fluctuations.</li> <li>● Ensure due implementation of CoM Decision No. 348 of 25 May 2016, 105/2014</li> <li>● Improve coordination between the different bodies within the MoH, so as to ensure seamless issuance of import permits and product registration.</li> </ul>

<sup>104</sup> Based on current legislation, licensing of customs brokers is provided following the successful completion of the training course and required test (carried out by the Directorate General of Customs). The training is provided by Customs in close collaboration with the National Association of Albanian Brokers.

### 3.4 At the border control

The control of inbound, outbound and transit cargo at main border crossing points (BCPs), including land, air and sea, is carried out by the General Directorate of Customs (GDC) and its regional offices; the

Border and Migration Police (BMP) Department under the General Directorate of State Police; and, the National Food Authority (NFA) under the Ministry of Agriculture, Rural Development, and Water Resources (MARDWR) which operates 13 inland facilities for phytosanitary and veterinary control of animals, plants and food products.

The three agencies carry out control functions in a logical sequence (passport control → documentary checks → goods/ vehicle examination → release for

inbound traffic and the reverse for outbound traffic) based on a clear division of tasks and responsibilities (Table 3.6). Control of imports, exports and transit trade, including internal transit, commences with document checking (in terms of completeness, accuracy, validity and stamps) and progresses to physical inspection where required (e.g., food, animals and plants).<sup>105</sup> The importation and transit of animals, plants and foodstuffs is organized by NFA, which has its own laboratories.

**Table 3.6.-Border control agencies and their responsibilities**

Agency	Responsibilities	Control functions
<b>Customs authorities</b>	<ul style="list-style-type: none"> <li>⇒ Together with BMP, the GDC and its regional offices are responsible for preventing illegal entry and exit of dangerous goods such as arms, ammunition, narcotic drugs and psychotropic substances, radioactive material and weapons of mass destruction.</li> <li>⇒ International trade tax handling</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Customs clearance and collection of duties and taxes.</li> <li>⇒ Excise controls.</li> <li>⇒ Anti-smuggling controls.</li> <li>⇒ Supply chain security.</li> <li>⇒ Control of Intellectual Property Rights.</li> <li>⇒ Plant Protection and plant species protection (CITES Flora) controls.</li> <li>⇒ Cooperation with other border agencies and counterparts in neighbouring countries.</li> </ul>
<b>Border and Migration Police Department</b>	<ul style="list-style-type: none"> <li>⇒ Immigration controls; protection and defence of the borders and the country's territorial integrity; and, maintaining public order in border zones.</li> <li>⇒ Control functions are carried out in cooperation with other border control agencies in Albania and in neighbouring countries.</li> <li>⇒ Prevention of illegal entry and exit of dangerous goods. BMP has no other responsibilities in relation to inbound and outbound cargo. Its involvement in cargo control for these purposes is neither a regular nor a routine activity.</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Immigration controls at designated border crossing points: passport and visa checks.</li> <li>⇒ Security controls over persons, goods and vehicles mainly to prevent smuggling of dangerous goods.</li> <li>⇒ Combating cross-border crime including trafficking in human beings, organisation of illegal migration and illegal crossing of the state border, smuggling (outside state border crossing points), forgery and fraudulent use of documents.</li> <li>⇒ If the BMP decides to examine the cargo, it does so simultaneously with other border agencies.</li> </ul>
<b>National Food Authority (NFA)</b>	<ul style="list-style-type: none"> <li>⇒ Protection of the environment, public health and food safety.</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Veterinary, sanitary and phytosanitary controls.</li> <li>⇒ Plant and animal quarantine control functions.</li> </ul>

<sup>105</sup> As established under: Decision of the Council of Ministers No.668 of 29 September 2007 approving the National Integrated Border Management (IBM) Strategy and Action Plan; and, Decision of the Council of Ministers No. 1021 of 14 October 2009 approving the updated version of the IBM Strategy Action Plan.

Border control functions are guided by the principles of integrated border management (IBM),<sup>106</sup> and the three agencies conduct simultaneous inspections where cargo examination by more than one agency is needed. Interviewed officials noted that the bulk of inbound and outbound cargo is cleared inland following the internal transit procedure. This is so because clearance at the main BCPs is carried out only for live animals and for consignments belonging to enterprises located in BCPs specific areas. Otherwise, goods are cleared inland at approved customs areas (Custom Houses) closest to the traders' premises following the internal transit procedure, which is applied to (i) inbound consignments between their entry to Albania and their arrival at the customs office of destination for final clearance; and (ii) outbound consignments that were processed by internal customs offices before reaching a BCP. Goods subject to sanitary and epidemiological requirements are also cleared following the internal transit procedure, with the related testing carried out inland under the supervision of the Ministry of Health.

For goods subject to veterinary and SPS control, traders are required to submit a formal notification to the NFA (in person or by email) at least 24 hours prior to the arrival of goods, in order to set in motion the basic background checks for inspection purposes. Upon the arrival of the consignments, samples are drawn as necessary. The goods are detained pending the laboratory test results and the traders are charged for laboratory tests and inspection.

Live animals are accorded priority. In cases where quarantine is required, the process is organized at the importer's own premises under the supervision of a regional NFA inspector. Quarantine period is set at a minimum of 21 days for all animals, except for those imported from disease-free countries or destined for slaughter within 72 hours and the costs are borne by the importer. The same procedures apply to exports, though controls are usually limited to documentary checks, as laboratory tests, where required, are conducted at the exporter's premises. Officials noted that the European Commission's Food and

Veterinary Office carry out occasional inspections at traders' premises.

The results of the traders' survey highlight a number of factors, which militate against the full realisation of trade facilitation objectives. As shown below, these stem from the cumbersome control and clearance procedures; shortfalls in the customs clearance process; gaps in interagency cooperation; and burdensome payment requirements and are complicated by weaknesses in the rule of law.

### Overreliance on physical inspection

The assessment reveals an overreliance on physical inspection. Traders reported that this type of control is exercised on not only inbound and outbound cargo, but also on transit traffic, whether it is passing through the country or destined for inland clearance. Transit documents are examined in all of the cases (100 percent), often by more than one official, and truck seals are regularly broken and re-sealed.

This situation reflects high levels of distrust on the part of border control agencies in the face of the damaging practices of some traders, including undervaluation, importing products under a different tariff line to avoid higher duty rates and smuggling. This situation also reflects weaknesses in the overall institutional set up underpinning the border control function.

Traders noted that physical inspection by customs, which involves the opening of at least 30 percent of the containers, is often triggered due changes in the tariff codes, which are not communicated to traders or their customs brokers. Differences between the actual weight of the vehicle and cargo and the one indicated in accompanying documents also trigger rigorous physical inspections by customs. While the outdated weighing instruments at most BCPs means that differences are difficult to avoid, the situation is aggravated by the fact that officials do not take into account the changes that may occur during the journey.

These could result from changes in the vehicle's weight if the fuel tank was filled to its capacity upon leaving the country of exportation. Differences could also be triggered by measurement practices. For example, importers of fresh fruits and vegetables lamented that officials do not take into account tem-

<sup>106</sup> Decision of the Council of Ministers No.668 of 29 September 2007 approving the National Integrated Border Management (IBM) Strategy and Action Plan; Decision of the Council of Ministers No. 1021 of 14 October 2009 approving the updated version of the IBM Strategy Action Plan

perature and humidity changes, which need to be measured against the time limit of transport. A case in point is an importer of bananas, who said that his consignments fail to meet the weight limits, 19.5 kilogrammes (net weight) or 20.9 kilogrammes (gross weight) per box, because, the shipments, which due to port congestion, do not arrive on time<sup>107</sup> are further delayed by the cumbersome control procedures.

Similarly, importers of frozen food complained that officials include the glaze as part of the parcels' weight. This treatment contradicts with international best practices. Glaze is considered as part of the packaging materials, and should not be factored in when measuring the weight of consignments.<sup>108</sup> To avoid delays and penalties, some importers (of medicinal herbs) bring their own weighing machines. Needless to say, this option is only possible for small consignments that are not sensitive to temperature and humidity changes.

Physical inspection is also triggered for the purpose of calculating the amount of excise duty on packaging. A case in point is an importer of water, who reported that officials usually empty water bottles to establish the exact weight even though the information is clearly mentioned in the accompanying documents.

Exporters and importers of products subject to sanitary requirements described complex control procedures, which involve physical inspection by more than one agency, including in addition to customs, NFA (for food, fresh fruits, vegetables and medicine), NADMD (for pharmaceutical products) and NFA and NADMD for medicinal herbs. Traders noted that delays are inevitable, and several reported being un-

able to meet the clearance mandated period<sup>109</sup>, so that they were subjected to delay fines in the amount of 2000 ALL (equivalent to USD 16) per day.

Inspections by NADMD and NFA involve sampling and testing (100 percent of the cases), which results in extending the clearance period due the delayed release of test results. Samples are taken from each consignment and traders have to pay for the laboratory tests, which could range from 2000 ALL (equivalent to USD 16) per sample (for beer) to USD 170 (for fruits and vegetables). For importers of medicinal herbs the costs may go up around USD 1200 per shipment (of up to 300 kilogrammes) since samples are taken by both NFA and NADMD. Traders drew attention that they are not provided with the test results, and those importing/exporting perishable goods said that they often assume additional costs in the form of damaged produce.

Traders also drew attention to the lack of clarity over sampling and testing procedures. Importers of processed food reported that the NFA often takes samples on the basis that the imported products do not match the description on the customs declaration. Others said that the authority takes several samples for the same product depending on the type of packaging. Others noted that several samples are taken for the same product even when packaged in the same type of material if there is a difference in the size/weight of individual parcels. A case in point is a manufacturer of beer, who exports red and yellow beer in consignments 33 centilitre (cl) and 66 cl of glass bottles. The NFA usually takes samples from the 33 cl and 66 cl bottles even though the support documents (including the quality certificate) indicate that the parcels in question contain the same product. Similarly, importers of medicinal products said that multiple samples are taken for the same product by both the NFA and NADMD if packaged in different materials or in different sizes.

For inbound consignments, testing and sampling are often triggered because the NFA does not recognize the accompanying test reports and certificates. Traders said that the NFA often rejects the CoA provided by suppliers even if issued by accredited laboratories. A case in point is an importer of a Unilever olive oil brand, Altis olive oil, from Greece. The trader said

<sup>107</sup> The reasons behind these delays are provided in section 3.5.

<sup>108</sup> The term glaze refers to the protective coating of ice (ice glaze) to frozen products, which excludes air from the surface of the product, reducing the rate of oxidation. By definition a package includes anything in or by which goods are cased, covered, contained, or packed. The glaze is considered to be part of the packaging material and therefore must be excluded from the net contents. For an illustrative treatment of glaze see, for example, the Weights and Measures Act 1987 and the Weights and Measures Regulations 1999 of the Government of New Zealand at: <http://www.legislation.govt.nz/>

<sup>109</sup> Customs clearance must be completed within ten days after entering the customs terminal for goods transported by sea and within five days otherwise.



that the NFA rejected the accompanying CoA, and retested the product, so that clearance was delayed by 2 days.

Another case was reported by an importer of corn seeds from Serbia. The NFA did not take into consideration the seed vigour test results issued by an accredited seed laboratory, and proceeded to retest the product.<sup>110</sup> The consignments were not stored in refrigerated facilities, and the inspectors took several samples over a period of two days. The NFA results showed lower germination strength than the one indicated in the test results accompanying the consignment. The trader was subjected to a financial penalty and was prohibited from placing the goods on the local market. Importers also complained that NFA tends to ignore the phytosanitary certificates provided by suppliers, and proceeds to retest the products. They also noted that inspectors usually takes samples from each truck, even if the consignments consisted of the same product.

Several importers also described complicated clearance processes that do not follow the logical sequence described earlier. Goods are first subjected to physical control and laboratory tests and then to documentary checks, during which the test results are compared to the information provided in the support documents. Moreover, traders with inbound/outbound shipments containing multiple products complained that customs tend to withhold the entire shipment if one of the products required laboratory tests, which results in unnecessary delays.

The concerns raised by traders are inconsistent with the principles of trade facilitation and the country's commitments under the GATT agreement on transit; the International Convention on Harmonization of Frontier Controls of Goods; and, the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention). All these denote that border controls should be selective, based on risk management techniques.

Interviewed officials stated that risk management will improve upon joining the European systems of information exchange on consumer safety, such

as the Rapid Alert System for Dangerous Non-Food Products (RAPEX) and the Rapid Alert System for Safety of Food and Feed (RASFF), as per the country's commitments under the Stabilisation and Association Agreement with the EU.

At the national level, the NFA's food establishments and food products database of food, feed and live-stock by-products, "AKUnet", provides an important tool for rationalizing at the border inspections. The database features, among others, the results of onsite and post market controls carried out by NFA and detailed information on labelling and packaging for each product. However, the database is not shared with other border control agencies, and remains work in progress. Officials explained that experience to date suggests the need for refining the classification of food producers as well as the risk criteria. Inspectors could also benefit from targeted training on the use of the database in their everyday work.

The above should be complemented by further improvements in the customs risk management system, and the ASYCUDA World full risk-assessment and selectivity module provides a solid ground for achieving this. The system automatically assigns clearance/control lanes (Green: clearance without examination; Yellow: documentary examination required; Red: documentary and physical examination required),<sup>111</sup> and generates on-screen alerts and instructions for examining officers. Officials noted that preparations are underway for the eventual utilisation of the "blue lane", which allows for implementing random post-clearance checks.<sup>112</sup> To reap the expected benefits, there is a need to refine the selectivity module, which is mainly based on the risk profiles defined by the Risk Management Committee.<sup>113</sup> The profiles contain

<sup>110</sup> The laboratory in question belongs to the SGS group, which is seated in Geneva, Switzerland, with branches across the globe. For details visit the group's institutional website at: <http://www.sgs.com/en/Our-Company/About-SGS/SGS-in-Brief.aspx>; and, <http://www.sgs.rs/en/Office-Directory.aspx>

<sup>111</sup> As per ASYCUDA's full risk-assessment and selectivity module, declarations selected for 'green lane' treatment may proceed for clearance without physical inspection. Declarations selected for 'yellow lane' treatment are subjected to a documentary inspection. If no irregularities were found, the trader may proceed with clearance. Declarations selected for 'red lane' treatment are subjected to physical inspection goods. Detailed information about the system is available at: <http://www.asycuda.org/>

<sup>112</sup> Declarations selected for the "blue lane" treatment are authorized for release, but the documents and the goods can be selected randomly for post clearance checks by Customs.

<sup>113</sup> The Risk Management Committee brings together the Deputy Director General of Law Enforcement Depart-

a wide range of parameters, tailored to judgements made about the needs of the national control environment.

The number of risk profiles with respect to non-compliance is high (around 200 profiles) and the judgements underpinning their definition seem to be partly random. Moreover, customs officials can manually re-route cargo from one system-assigned lane to another. Further refinement of the risk parameters and profiles is, therefore, required, with a view to ensuring prompt, meaningful and lasting overall increase in the percentage of cargo assigned to the green channel, and a decrease in that assigned to the yellow and red channels.

Such a refinement should be based on a thorough review of the risk parameters and profiles, with the principles of trade facilitation in mind. Remote and unfounded risk parameters should be removed, giving way to ones based on sound analysis and historical data, with a view to identifying products that pose a legitimate risk of non-compliance.

In addition, there is a need for defining local risk profiles at regional control points. These should take into account the specific control environment of individual points and the result of their practical application should be used to update and adjust the central risk management system. Procedures should also be introduced to allow for focusing enforcement efforts on risky products, taking into account taken of the performance record of traders, especially those with outstanding compliance history. In this regards, special emphasis should be given to completing the AEO schemes that were being developed in 2015.

There is also a need to improve the customs post-clearance control (PCC) function. The customs' approach to PCC has an enforcement orientation, utilising transaction-based checks, which concentrate on ascertaining whether particular import declarations are under-valued to increase public revenues.

The customs authorities believe that the eventual consolidation of the risk management function with the "blue lane" treatment will address the current problems, since this will enable customs to iden-

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ment, Deputy Director General of Technical Department, Intelligence Director, Post Clearance Control Director, Head of Risk Analysis Unit and the Risk Indicator Administrator. In addition, the PCC Directorate submits recommendations to other directorates to improve performance, and these also include suggestion for creating new risk profiles.

tify consignments that should be subjected to post-clearance control and increase efficiency (by cutting down on office-based research). While, the introduction of the "blue lane" will certainly add value to overall risk management, it will not necessarily lead to improvements in the PCC function.

PCC should be revised so as to take the valuation control judgements away from the customs inspectors dealing with import clearance. Control over customs valuation should be exercised after clearance, based on a proper review, at the importers' premises, of the importers' systems, records, procedures, and internal controls, with the ultimate objective of ensuring voluntary compliance with customs requirements. Moreover, the onsite control arrangements should be improved. The current arrangements are burdensome, with importers facing the prospect of two or more auditors visiting their premises for a period of 3 to 15 days.

Improving the PCC function will enable Customs to undertake systems-based trader audits, which involve considered examination of the commercial processes and systems (loss leaders, quantity discounting, and stock clearance, for example) underpinning trade activities. The customs can then use the findings to adjust the parameters set in the risk management system. This is a more holistic approach than the existing one, which relies mainly on the checking of individual import entries. It also improves customs efficiency. An important element to consider is whether the time spent on assessing and debating the value of goods imported by small, irregular importers is justifiable *vis-à-vis* the expected potential revenue.

### Shortfalls in the customs clearance process

For traders with premises located outside BCPs areas, customs clearance is complicated by the internal transit procedure, which is geared to serve tax purposes. Traders are required to clear goods in the cities where they are registered for tax purposes. This creates additional costs as traders have to organize for the transport of goods into inland Customs House (terminal) and then to their own premises after inspection.<sup>114</sup>

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<sup>114</sup> Further increasing transaction costs are the weak infrastructure and logistical services at BCPs (section 3.5).



Traders said that requests to clear goods at BCPs away from their premises should be submitted at least two months prior to the arrival of goods. Some said that their requests were denied, while others complained that they were still waiting to hear from customs even though they have submitted their requests several months back. Some tend to interpret the lack of response as an implicit approval and proceed to organize the transport of their shipment accordingly. However, in most cases, they are denied the right to clear their goods at the BCP in question, with the consequence of assuming additional costs in the form of brokers' fees.

The lack of space causes customs to assign consignments to inland terminals in Tirana for clearance, following the internal transit procedure (instead of customs terminals at the port).

Traders also noted that if the shipment consists of large or several consignments, customs tend to defer clearance until the following day even if the goods arrive well before closing hours. Several complained about what they described as biased treatment, while others drew attention that the duration of the clearance process is a function of the officials operating the customs terminals. Some officials are efficient and helpful, while others tend to create obstacles (e.g., insisting on physical control or casting doubt over the authenticity of the trade documents) to reap financial gains through informal payments.

Traders and customs brokers also reported that every consignment entering or leaving Albania is charged scanning fees (equivalent to €22 if the value of the consignment is over €1,000 or €5 if the value is below the said threshold), and this applies to groupage consignments whereby each importer is required to pay this fee. The fee is payable not only at the point of entry (port, airport, BCP), but also at the point of destination if the consignment is cleared inland. The fee is also charged even if the consignment is not scanned and at locations where no scanner is actually installed.<sup>84</sup> This is an unacceptable practice. It creates an effective tax that is not based on law and should, therefore, be discontinued.

Another concern raised by traders related to the customs working hours. Traders noted that clearance is often complicated by the practice of limiting regular

hours for clearance and charging special fees outside these hours.<sup>85</sup> Traders explained that inbound cargo arriving shortly before or after the working hours have to be stored overnight at warehouse facilities with the consequence of inflating transaction costs. If the goods arrive on Saturdays, traders are often obliged to postpone the clearance process, since several border and internal crossing points have reduced working hours during weekends.

Moreover, several traders said that even if the goods arrive well before the closing hours, customs officials often decide to defer clearance until the following day. Moreover, customs' services come to halt during the lunch hour, as employees abandon their posts. Still others said that unnecessary delays are caused by a failure to comply with the working hours on the part of senior officials. These often arrive late to work, causing delays in the clearance process, since the customs declaration should be duly stamped by the customs officers responsible for verification, physical control and valuation. Other unnecessary delays were also reported during clearing groupage consignments. Traders and forwarders noted that a poorly made declaration or support documents for one part of the load causes the whole container to be delayed at customs clearance.

Delays are also caused by lapses in communication between the customs headquarters and the regional offices. Importers of seed potatoes, corn seeds and Lucerne seeds said that their consignments are often withheld because the headquarters do not communicate the permission to release the tariff code to the regional offices in time. Delays in communicating this permission, which is provided to traders at the beginning of the harvest season, means that the entire consignment is blocked.

Beyond the above, almost all of the surveyed importers complained about what they described as an unclear and cumbersome valuation process. The existing legislation is consistent with the WTO rules,<sup>86</sup> stipulating that the transaction value of imported goods should be used as the basis for customs valuation. Otherwise (i.e., in cases where the transaction value cannot be applied), the following methods

<sup>115</sup> This has been verified and observed as part of this assessment during field visits to several BCPs.

<sup>116</sup> The customs working hours are published online at: <http://www.dogana.gov.al/en/node/417>

<sup>117</sup> See the WTO Valuation Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade.

should be used in sequential order of application: the transaction value of identical goods; the transaction value of similar goods; the deductive value; and, the computed value.<sup>118</sup>

However, in practice, Customs proceeds from the standpoint that the value of goods is routinely under-declared by importers and that trade documents, in particular the commercial invoice, is unreliable. Officials said that Customs occasionally demand additional documentary evidence from traders (e.g., contracts, orders, receipts and bank statements) to support the invoice value. Yet, the default method is to resort to the national database<sup>119</sup> built into the ICIS.

Traders complained that the national database, which serves as a reference price list, invariably indicates that the value of the goods established in the invoice should be revised upwards. The valuation process becomes particularly cumbersome if the imported goods are obtained at a discounted price, as officials calculate the customs value based on the original price. The valuation process is also cumbersome for consignments containing different types of goods, as officials tend to question the reported value of each product.

Traders also noted that valuation is often complicated by disputes over the Harmonized System Codes (HS Code). A case in point is an importer of milk-based drinks from Hungary, who reported that customs officials insist on classifying the products in question under the HS Code for milk, which increases the level of customs duty. For others, the disputes stem from the sudden changes introduced to tariff classification, which are not duly communicated to traders.

Although the existing legislation provides for appealing customs' assessment,<sup>120</sup> most of the interviewed traders said that they prefer to resolve the dispute through negotiating with Customs, often with the help of customs brokers who act as intermediaries. If these options fail, traders opt to accept the customs assessment, since appealing customs ruling is an expensive undertaking. It involves paying the total amount of the customs duties and the interest rate (or providing a bank guarantee equal to the total amount) and prepaying 40 percent of the fine amount.<sup>121</sup> While the new Customs Code lifts the prepayment requirement, appealing remains expensive. Traders still have to pay or provide a bank guarantee for the amount of the tax liability.<sup>122</sup> Traders also noted that they have to wait for up to six months for the final judgement. This stands in contrast with recent reforms, which saw the reduction of response times to tax appeals from 90 to 60 days.<sup>123</sup> The need to ensure strict application of existing legislation is obvious.

There is also an urgent need to improve customs valuation practices, since they contradict with WTO rules. These state clearly that the valuation database should be used to assess the accuracy of information presented by traders, and that the Customs administration should not:

- Determine the Customs value of imported goods, either as a substitute value or as a mechanism to establish minimum values;
- Reject the declared value solely on the basis of a difference between the declared value and the database values;
- Disregard the release of goods on sufficient guarantee in order to use a database; or
- Use a database as a substitute for other techniques, such as post-importation audits, to assess the truth or accuracy of the declared value.<sup>124</sup>

<sup>118</sup> Articles 34 to 40 of Law No.8449 on the Customs Code of the Republic of Albania dated 1999. Customs valuation methods were upheld under the new customs code of 2014 under Articles 65-71.

<sup>119</sup> Article 36 of Law No. 8449 on the Customs Code of the Republic of Albania states that when the customs value of imported goods may not be determined using the customs valuation methods, it shall be determined on the basis of data available in the Republic of Albania, using reasonable means, in accordance with: a) the agreement for the application of Article 7 of the General Agreement on Tariffs and Trade; b) Article 7 of the General Agreement on Tariffs and Trade; and c) dispositions of Chapter 3 on the value of goods for customs purposes.

<sup>120</sup> The trader lodges an appeal with the Tax Appeal Directorate under the General Tax Directorate and can afterwards file a case with the Court

<sup>121</sup> Article 289 of the old Customs Code.

<sup>122</sup> See Articles 44-46 of the new Customs Code. Previously, taxpayers had to pay the due amount prior to appeal (drawing out a bank guarantee was not provided for by law).

<sup>123</sup> See Law No. 179/2013 dated 28 December 2013

<sup>124</sup> See the WTO Technical Committee on Customs Valuation (2005) Guidelines on the Development and

The difficulty is that customs authorities have good reason, based on previous cases, to believe that at least some imports are deliberately under-valued. The Customs has no means to assess its assumptions, beyond the support documents presented by traders. Part of the solution lies in the development of the PCC function as described above. There is also the need to make greater use of advance rulings. Officials noted that advance rulings are only provided in relation to tariff classification, and traders complained that response times tend to be slow.

Customs should also consider establishing clear guidelines on dealing with conditions, where the prices of the same good may vary considerably or be well below the market level. These guidelines should focus on facilitating the task of establishing the legitimate business reasons behind the discrepancies in the declared value, and on providing clear standardized procedures for resolving such discrepancies.

For example, in cases where the goods in question are imported at discount prices, customs could request the trader to provide a copy of the sales agreement between the Albanian importer and the seller. Measures should also be taken to increase transparency. The Customs Valuation Agreement states that the importer shall have the right to an explanation in writing from the Customs administration as to how the Customs value of goods in question was determined.<sup>125</sup>

The assessment also reveals weaknesses in the rule of law. Traders said that they often resort to informal payments or special favours to speed up the clearance process or skip certain requirements. Several said that they provide such payments to clear the goods before the release of laboratory testing results, or to clear consignments consisting of different types of goods on the basis of the tariff subheading with the lowest tariff rate, instead of tariff subheading with the highest tariff rate as established by law.<sup>126</sup>

For some traders, informal payments are established at fixed amounts equivalent to, for example, 5000 ALL (around USD 40) per shipment. For others, the amount depends on the value of the goods in question. The higher the value, the more is the amount of the informal payment, which could range from €15 to €50 per shipment, and the clearance is reduced to only half a day. Moreover, several traders drew attention that goods are sometimes lost or stolen when placed in customs warehouses, which are not adequately secured. Traders also complained that customs refuses to assume responsibility for instances of theft.

The new Customs Code provides for consolidating a competent work force, based on the principle of meritocracy.<sup>127</sup> Yet, interviewed officials lamented that some practices are difficult to address, and cited the scanning fees as an illustrative example. Officials explained that the current state of affairs arises from a contract signed with a concessionaire, and the cost of extracting the customs from the contract is prohibitively high. As such, the decision was made to run down the contract, which extends over a ten-year period.

Customs officials also drew attention that they are unable to keep up with the many concrete and well-considered recommendations and reforms adopted in recent years. This concern was raised by all of the interviewed public stakeholders, who emphasized resistance to change as a debilitating factor. Notwithstanding the introduction of the new law on Civil Servants,<sup>128</sup> many government institutions and State agencies remain highly politicised, with senior appointments made according to political affiliation. This has led to high turnover rates, with the consequence of disrupting reforms.

Moreover, traders and customs brokers noted that assistance in recent years have tended to result in parallel structures, operated by international experts and geared towards boosting revenues. Inbound consignments are often withheld, and assigned for separate consideration by international experts providing the technical assistance. Secondary controls, sometimes inland, after the release of goods by cus-

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Use of a National Valuation Database as a Risk Assessment Tool.

<sup>125</sup> Article 16 of the Customs Valuation Agreement.

<sup>126</sup> See Article 104 of the old Customs Code. This principle was upheld in the new Customs Code (Article 161).

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<sup>127</sup> Articles 12-15 of the new Customs Code. These articles entered into force in January 2015.

<sup>128</sup> See Law No. 152/2013 On Civil Servants approved by the Albanian Parliament on 30 May 2013.

toms are also organized by international experts.<sup>129</sup> These controls are of an anti-smuggling or enforcement nature, and often result in introducing upward revisions to the declared value. Customs brokers as well as representatives of chambers of commerce also noted that such parallel structures undermine public confidence in the customs authorities at a time when that is of paramount importance for the creation of a healthier business climate.

### Gaps in inter-agency cooperation

The assessment shows satisfactory levels of inter-agency cooperation at the operational level in BCPs, Tirana airport and at ports, particularly in relation to simultaneous physical inspections of vehicles and cargo. On the borders with Kosovo, FYROM and Montenegro, joint inspections of cargo are carried out, where needed, by the respective border services in both directions.

Moreover, standard operating procedures are in place at all BCPs to deal with outbreaks of disease. Where cross-border traffic management issues are concerned, cooperation between agencies with the same or similar responsibilities (customs-to-customs; border service-to-border service) is generally said to work well. However, in some BCPs there are still issues with the harmonisation of opening hours on different sides of the same border.

The above mechanisms need to be upheld and strengthened. Interviewed officials stated that to achieve this, they are considering the idea of creating a common national risk management framework for Albania's borders. Given existing risk management practices, there is no compelling case for such an initiative. This is especially since a common risk management framework is a complex and costly undertaking that is difficult to maintain. It also implies formal agreements for governing information sharing, which may not be convenient for some agencies.

Rather, it would be more prudent and cost-effective to complement the IBM strategy with an operational manual, which details border control procedures in terms of their basic tenants and sequence of implementation. The assessment shows that each border control agency follows its own procedures. While such procedures are commensurate with the man-

date and risks specific to the individual agencies, they may not be necessarily tailored to accommodate trade facilitation concerns. For example, border control procedures applied for food products have to be revised to ensure consistency with the trade facilitation provisions established under the new Customs Code.

In addition, more could be done to support increased information sharing between the different border control agencies. The assessment shows that these agencies maintain regular information exchange at the operational level even though their information and communication technology (ICT) systems are not linked. GDC and BMP, which have advanced risk management systems rolled out at the regional offices and main borders are not linked. Similarly, the BMP advanced intelligence and risk management system, the total information management system (TIMS) is not linked to the customs information systems or the NFA.<sup>130</sup> It would be useful to consider linking these systems, or establishing a common database that could be accessed by all the agencies involved.

There is also the need to improve coordination and regular information exchange between border control agencies and (behind the border) regulatory bodies. As previously mentioned, importers complained that their consignments are subject to sampling and testing procedures at the main borders, including those originating from EU countries. This comes in contrast to existing legislation, which provide for recognizing certificates, tests and inspection reports issued by certified bodies in EU countries. The existing legislation also provides that conformity assessment results issued by countries outside the EU may be recognized and accepted if the issuing bodies are accredited by an accreditation body signatory to the EA (European Co-operation for Accreditation), ILAC (International Laboratory Accreditation Cooperation) or IAF (International Accreditation Forum) Multilateral Agreements. The certificates, tests, and inspection reports issued by conformity assessment bodies that are not accredited by the EA, ILAC or IAF, may be recognized based on the equivalence of ac-

<sup>129</sup> This was verified and observed as part of this assessment during field work at Durrës Port.

<sup>130</sup> TIMS is connected to regional BMP directorates is linked to the databases of a number of government agencies (e.g., Ministry of Foreign Affairs and the Ministry of Labour and Social Affairs) to facilitate access to law enforcement information such as driver and vehicle registrations and e-visas.

creditation procedures, which must be established by the General Directorate of Accreditation.<sup>131</sup>

It would be also useful to provide intensive training for decision makers as well middle and lower management staff on the different aspects of trade facilitation, and its implications for their everyday work. Some agencies are not particularly attuned to trade facilitation, and its staff are said to receive no specific training on the subject.

### Burdensome payment requirements

As part of a broader effort to stimulate new investments, the past few years saw the Albanian Government introduce significant reductions to excise taxes<sup>132</sup> (levied on among others, tobacco, alcoholic drinks, coffee, petroleum and petroleum by-products, vegetable and animal oils and fats and their products and packaging) and exempt pharmaceutical products and health services from value-added tax (VAT).<sup>133</sup>

However, the assessment shows that the tax burden remains high. Traders complained about what they described as “excessive taxes” on imports, noting that at a general rate of 20 percent, the VAT amount is considerable and combines with the customs duty, excise and the packaging tax<sup>134</sup> to inflate the prices of goods in local markets.

<sup>131</sup> See Law No. 10489 of 15 December 2011 “On trade and market surveillance for non-food products”. Details on Albania’s accreditation system are provided in section 4.5.

<sup>132</sup> See Law No. 180/2013 On some changes and additions on Law No. 61/2012 “On excise taxes in the Republic of Albania”, dated 28 December 2013.

<sup>133</sup> See Law No. 182/2013 dated 28 December 2013 “On Some Changes and Additions on Law No. 7928 On value added tax” as amended. The VAT is set at a general rate of 20 percent on imported and domestically produced goods. Prior to the adoption of Law No.182/2013, pharmaceutical products and medicinal services were subjected to a reduced rate of 10 percent. The exemption of pharmaceuticals and health services from VAT was effected in April 2014.

<sup>134</sup> The packaging tax is set at 100 ALL per kilogramme for plastics packaging; 10 ALL per kilogramme for packaging of glass; and 20 ALL per kilogramme of mixed packaging. Environmental taxes are levied on second-hand cars, fuel, and plastic packaging, pursuant to Law No. 9975 on National Taxes dated 28 July 2008, as amended. Amendments to this law, which entered into force on January 2014, stipulate applying plastic and glass packaging tax to all types of packaging materials. Previously, the packaging tax was levied on single-

Importers of medicinal herbs drew attention that they find the excise tax on packaging high, noting that the weight of the packaging material often exceeds that of the herbs. Complaints were also raised by imports of agricultural products. These traders, who are exempted from both excise and VAT, find the customs duty too high to allow for meaningful profits. A case in point is an importer of exotic fruits, who lamented that at an amount equivalent to €1.20 per kilogramme, the customs duty inflates the final price. This reduces the demand for their produce at a time when the trader in question assumes considerable losses in the form of damaged goods due to delays in customs clearance.

Moreover, almost all of the interviewed traders complained about delays in VAT refunds; a recurrent problem that finds root in the Government’s financial predicament.<sup>135</sup> Traders explained that the delays span over months, causing serious cash flow problems. This comes in contradiction of existing laws that limits VAT reimbursement period for to 30 days.<sup>136</sup>

Those engaged in export activities, who can claim the amount of VAT paid on inputs or imports destined for re-export, were the most affected. Several said that they were on the brink of bankruptcy, since they charge zero or reduced VAT rate when selling their goods and are unable to fulfil the credit requirements of commercial banks.<sup>137</sup> It is worth mentioning that none of the interviewed traders reported receiving interest rates on delayed VAT refunds as established by law.<sup>138</sup>

Several traders argued that the Government should consider allowing traders with good performance records to pay their trade taxes by instalments. The

use plastic or glass materials. Based on the approved amendments, the plastic and glass packaging tax will be levied when the plastic and glass material represents at least 51 percent and 80 percent respectively of the overall mass product packaged. In addition, there is a list of imports which will be exempt from the payment of plastic and glass packaging tax.

<sup>135</sup> See, International Monetary Fund (IMF) “Albania: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding”, different issues available at: <https://www.imf.org/external/country/ALB/index.htm?type=23>

<sup>136</sup> See Law 91/2015, which amends Law No 9920, dated 19.5.2008, “On tax procedures in Albania”. Law No.9920 set the reimbursement period at 60 days instead of the previous time frame of 30 days.

<sup>137</sup> Exports are exempted from VAT.

<sup>138</sup> Law no. 179/2013 dated 28.12.2013.



argument was also made that traders with good tax records should be allowed to reduce the amount of bank guarantee for the customs debt and obtain guarantee waivers.

The above concerns suggest the erosion of traders' coping strategies. Traders seem to be effectively incapable of generating enough revenues to cover running expenses. The devastating consequences for the export sector are evident and are aggravated by the VAT refund problem, which acts as a disincentive for new investments. This is more so since the problem is perceived as one of a permanent nature.

Needless to say, addressing the VAT refund problem requires a multifaceted effort targeting the macro, institutional and enterprise levels, the outlining of which falls beyond the scope of this study. It suffices to say here that improved public revenue levels, while essential, will not necessarily lead to prompt settling of VAT claims unless supported with additional measures to accelerate the refunding process. This could be achieved by introducing preferential treatment for taxpayers with a sound compliance history, such as automatic refunding.

As a first step, the tax authorities, in collaboration with Customs could establish a monitoring system, with clear indicators and risk-profiles of VAT-registered companies.

This will alleviate the traders' financial constraints and help tax authorities allocate resources with respect to audits to instances where fraud is more likely. Pre-refund audits should also be organized for high-risk refund claims, e.g., originating from companies with poor or unknown compliance history. Measures should also be introduced to ensure due payment of interest rates on delayed VAT refunds, in order to alleviate the traders' cash flow problems.

There is also the urgent need to reform the customs guarantee system, and here the new Customs Code sets the context for significant improvements.<sup>139</sup> It establishes clear guidelines with respect to comprehensive guarantees<sup>140</sup> and the reduction or waiver of guarantees, which, although provided for under the old Customs Code, were not established in a precise way rendering them more of the exception than the rule. The new Code accords the possibilities of reducing the amount of the guarantee and of obtaining a guarantee waiver for a customs debt that may be incurred to all economic operators, who are financially solvent with high level of control of their operations. In contrast, the possibility of reducing the amount of the guarantee or of obtaining a guarantee waiver for customs debts that have already been incurred is reserved for economic operators with AEO C status.<sup>141</sup> Table 3.7 provides a number of recommendations for the Government's consideration.

**Table 3.7 Outstanding needs and recommendations in the area of border control**

Outstanding needs	Recommendations
<b>Improve weighing practices at BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>• Equip BCPs and inland terminals with modern weighing instruments</li> <li>• Establish detailed guidelines on weighing and measurement practices, which draw on international best practices and train inspectors on the use of these guidelines</li> <li>• Introduce the International Vehicle Weight Certificate (Annex 8 of UNECE International Convention on the Harmonization of Frontier Controls of Goods).</li> <li>• Equip BCP with weight and dimensions control stations, equipped with camera systems, digital panel/screen showing measured weight and registration plate of vehicle. Where stations are not feasible (e.g., for lack of space), consider establishing mobile weight and dimension stations, equipped with weighing platforms. Customs has to allocate specific financial resources for this purpose.</li> </ul>
<b>Reconsider working hours at main BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>• Consider amending the Customs internal regulations so as to allow for extending the working hours at main BCPs and inland terminals.</li> <li>• Introduce scheduling systems that allow for multiple shifts, whereby break times are sequenced according to well defined periods to ensure the continuity of customs services.</li> </ul>

<sup>139</sup> See Articles 84-94 of the new Customs Code. The levels of reduction is determined by the Council of Ministers, including the conditions for the levels of reduction and the guarantee waiver.

<sup>140</sup> A comprehensive guarantee corresponds to the customs debt with respect to two or more operations, declarations or customs procedures.

<sup>141</sup> See Articles 84-94 of the new Customs Code

Outstanding needs	Recommendations
<b>Abolish unnecessary fees</b>	<ul style="list-style-type: none"> <li>● The contract with a private company that permits every single consignment entering or leaving Albania to be charged for notional scanning should be urgently reviewed and revised. The charges made are a hidden tax on importers and exporters, which is not based on law and should be, therefore, discontinued.<sup>142</sup></li> <li>● The amount of excise tax on packaging should be revised, as it unnecessarily increases the tax burden on both traders and consumers.</li> </ul>
<b>Abolish unnecessary physical control measures</b>	<ul style="list-style-type: none"> <li>● Consider amending existing laws, with a view to repeal articles that provide the ground for carrying out unnecessary physical inspection.</li> <li>● Abolish current practices which contradict with the countries commitments under the GATT agreement on transit; the International Convention on Harmonization of Frontier Controls of Goods; and the TIR Convention (e.g., physical control for calculating the amount of excise duty on packaging; unnecessary drawing of several samples; unnecessary testing of inbound cargo accompanied by internationally recognized test results and other certificates)</li> <li>● Introduce the necessary legislation to allow importers to conduct a second, independent tests for phytosanitary and non-animal food products in cases of dispute</li> </ul>
<b>Address shortfalls in customs valuation processes</b>	<ul style="list-style-type: none"> <li>● Ensure strict application of the WTO Valuation Agreement. This requires that, in every case, the customs value of imported goods be calculated using Method 1 (the transaction value method) first, with the other methods being applied in sequence only if a value cannot be determined under the previous method.</li> <li>● Ensure strict application of legal provisions concerning the response time to tax appeals.</li> <li>● Accord priority to improving the existing system to allow for the provision of advance rulings (including binding rulings) in relation to tariff classification, origin of goods, and valuation.</li> <li>● Publish up-to-date information on changes on HS codes.</li> </ul>
<b>Consolidate risk based control management systems and techniques</b>	<ul style="list-style-type: none"> <li>● Assistance should be provided to GDC in developing the AEO scheme, which concentrates on customs simplifications for reliable traders. The emphasis should be placed on complementing risk management. Measures should be rapidly put in place to select and approve AEOs properly, thus giving real assurance that the cargo can be subjected to minimal intervention at the frontier and inland, with subsequent post-clearance controls (see below) to ensure compliance, and re-appraise risk. Simplified procedures such as reduced documentary requirements, pre-arrival/departure declarations, release of cargo before payment, deferred payment and accounting should be progressively introduced as GDC confidence in its risk-based judgments increases.</li> </ul>

<sup>142</sup> Scanning fees were reduced pursuant to Law No 74/2015 of 9.07.2015 "On approval of agreements between the Ministry of Finance, as the contracting authority, and companies "S2 Albania" l.t.d and "Rapisan Systems" INC "On the settlement by negotiation of

disagreements" and "On amendment of the concession agreement". In addition, the law stipulates that traders should be charged more than once for scanning their consignments.



Outstanding needs	Recommendations
	<ul style="list-style-type: none"> <li>● A thorough review of the risk parameters and profiles in the ICIS should be undertaken, with a view to establishing a prompt, meaningful and lasting overall increase in the percentage of cargo assigned to the green channel, and a decrease in that assigned to the yellow and red channels. The review should be conducted with the principles of trade facilitation in mind, as well as the national effort to improve the business climate. Remote and spurious risks should be left out, and high risks should be justified with concrete historical data. Local risk profiles should be developed for individual customs control points to reflect the specific control environment at each BCPs and the results of their practical application should be progressively used to update and adjust the central risk management system.</li> </ul>
	<ul style="list-style-type: none"> <li>● The implementation of new procedures, such as pre-arrival processing, requires knowledge of the options and the conditions related to the new procedure. This requires training courses for Customs staff and if possible the trading community as well, including carriers and clearing agents</li> </ul>
	<ul style="list-style-type: none"> <li>● In parallel, and with an eye to creating synergy with the AEO scheme, the GDC post-clearance control/ audit function should be developed to allow for undertaking systems-based trader audits. Such audits should allow for considered examination of commercial processes and systems underpinning the duty declared at importation. They should also allow GDC to use the findings to review previous risk-based judgments, and if necessary adjust the parameters in the risk management system.</li> <li>● The idea of utilizing the (pre-configured) ASYCUDA World 'Blue Lane' in the ICIS, in order to route certain import consignments initially for a post-clearance audit (PCA) "desk audit" and then, if considered necessary, for a follow up visit to the trader's premises, should be dropped. Its focus is clearly on transactions, and as such undermines the trader-centric, systems-based approach to control that PCAs are meant to establish.</li> <li>● Establish procedures and manuals for guiding audit visits, as these are essential for AEOs and PCC function. The focus should be on ensuring that the audits elicit the information needed to decide on the level of risk represented by business operations, and the level and type of customs control that should be applied. This approach is more efficient and effective than the current one, whereby at the point of deciding on the criteria by which consignments should be routed through the 'Blue Lane', there is insufficient information to rely upon – and a very real possibility arises that the system captures consignments that should be allowed to be routed through the green channel, and, even worse, elements of customs declarations – valuation, for instance – that the GDC is traditionally suspicious about.</li> </ul>
	<ul style="list-style-type: none"> <li>● Consolidate "NFA net" database, including through refining the classification of food producers and risk criteria, and train inspectors on its use.</li> <li>● Provide training to the NFA staff on risk assessment</li> </ul>

Outstanding needs	Recommendations
<b>Improve inter/intra-agency coordination at the operational level</b>	<ul style="list-style-type: none"> <li>● Set out procedures for ensuring prompt communication of vital information (such as permission to release the tariff code) between the Customs headquarters and regional offices.</li> <li>● Establish detailed guidelines and procedures for managing inbound and outbound traffic. The imperative for improving border facilities aside, the assignment of cargo to border and inland terminals should be based on a detailed analysis of traffic flow with a view to optimize the use of available facilities.</li> <li>● Complement the IBM strategy with a manual detailing the procedures and sequence associated with pre-border, at the border and post border control.</li> <li>● Consider linking the IT systems of border control agencies to support prompt information sharing. Alternatively consider consolidating a common database that could be accessed by all the agencies.</li> <li>● Improve coordination and regular information exchange between border control agencies and (behind the border) regulatory bodies. This could be addressed within the context of ongoing efforts to develop the market surveillance function (Chapter 4).</li> <li>● Provide intensive training for decision makers as well middle and lower management staff on the different aspects of trade facilitation, and its implications for their everyday work.</li> </ul>
<b>Reduce the financial burden of traders</b>	<ul style="list-style-type: none"> <li>● Accord priority to providing interest rates on delayed VAT refunds as established by law</li> <li>● Ensure diligent implementation of Law 91/2015, which defines a maximum VAT reimbursement period of 30 days.</li> <li>● This could be achieved by introducing preferential treatment for taxpayers with a sound compliance history, such as automatic refunding. As a first step, the tax authorities, in collaboration with Customs could establish a monitoring system, with clear indicators and risk-profiles of VAT-registered companies</li> <li>● Accord priority to reforming the customs guarantee system, as established by the new Customs Code.</li> </ul>

### 3.5 Transport infrastructure and logistic services

As mentioned in the previous chapter, the surveyed traders showed a preference towards transporting their goods by road even though the network remains under-developed. Traders explained that this transport mode is cheap and offers a broader choice of routes than rail. However, it is not convenient for fragile goods and for large consignments. It is also unsafe, especially during winter.

Transport by road is complicated by the limited supply of heavy haulage trucks that meet international standards and safety requirements. Several exporters reported that they have to use international transport operators to ship the cargo, with the consequence of increasing transaction costs. This is particularly the case when transporting perishable goods, which require specialized refrigerated trucks. Furthermore, fleet owners and managers lamented the lack of adequate resources for driver training and education in the area of fleet safety.

In contrast, rail was reported as a more convenient and cheaper inland transport mode for large consignments. However, it offers a limited choice of transport routes (See chapter two). Traders use this mode for shipping imports from Serbia and Croatia. For imports from Serbia, the consignments are transported by rail to Kosovo or the FYROM, where the cargo is unloaded onto trucks for the final leg of the journey.<sup>143</sup> Consignments originating from Croatia are transported by road to Montenegro, where they are loaded onto rail until the border with Albania. The cargo is then loaded onto trucks for the remaining leg of the journey.

<sup>143</sup> The traders are referring to the Orient/East-Med Corridor (R10), which crosses Kosovo from the north to the south from the border with the FYRM to the one with Serbia. This route is part of the Core Network Corridors of the Trans-European Transport network (TEN-T) extension into the Western Balkans and South East Europe Transport Observatory (SEETO)'s Comprehensive Network. Further details are available at: [http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/corridors/orient-eastmed\\_en.htm](http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/corridors/orient-eastmed_en.htm).

Maritime transport also poses significant problems to traders, owing to the high terminal handling charges, especially at the port of Durrës. Traders reported paying up to USD 200 in stevedoring charges per lift and USD 160 in parking fees, which when added to the other fees raises the total cost of terminal handling charges to USD 600-700 per a standard 20-foot full container load (FCL).

For traders shipping goods to/from distant countries, the terminal handling charges add a significant financial burden. For example, it costs a minimum USD 3000 for importing a standard 20-foot FCL from China, and USD 5000 for exporting a standard 20-foot FCL to the USA. Compounding these costs are the losses in the form of damaged goods during the loading/unloading process, owing to the lack of proper facilities (specialised gantry cranes), limited terminal areas and improper container stacking (distribution of heavy containers).

For importers, transport by sea is further complicated by port congestion. Traders explained that there are too many ships arriving at the same time, which creates backlogs so that shipments are sometimes delayed by an entire week. Traders also reported that the unloading process is usually delayed, sometimes by an entire day, for no apparent reason.

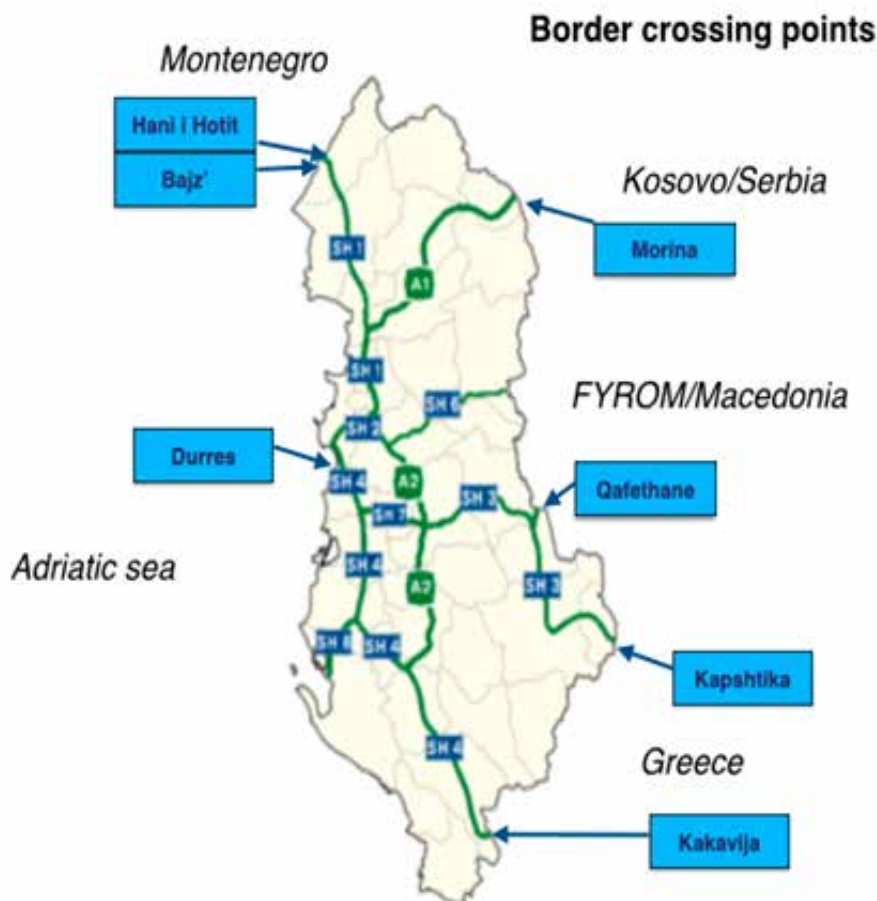
The assessment also suggests that traders have a weak bargaining power vis-à-vis international maritime transport operators. Several traders reported that inbound shipments from distant countries are usually delayed, in some cases by an entire month,

and noted that they felt helpless, as they were unable to obtain any feedback or compensation from the shipping companies. The majority said that goods are sometimes stolen *en route* to Albania.

The challenges stemming from the weaknesses in the transport infrastructure are compounded by the lack of adequate logistical facilities at the main land BCPs. Traders said that the limited parking space at all BCPs not only leads to congestion but also generates additional costs in the form of parking fees. The assessment shows that, at most BCPs, drivers are charged for parking their vehicles whilst waiting the routine checking of their paperwork and the clearance/ release of their cargo. The same applies to vehicles transporting cargo subject to phytosanitary and veterinary control. These fees, which are charged by private companies, are based on the size of the vehicle and range between €5 and €7 per vehicle. Traders experiencing delays in the clearance process pay additional 2000 ALL (equivalent to €15) per day in the form of overnight parking fees.

Moreover, all BCPs lack basic equipment, such as forklift trucks, weightlifting bridges, for handling large consignments, and barring “Hani i Hotit” BCP with Montenegro, all the BCPs lack adequate facilities for physical inspection and storage (Map 2). They also lack refrigeration points for perishable goods (this also applies to Durrës Port). For inbound consignments of plants, animals and foodstuffs, border control is complicated by the lack of laboratory or quarantine facilities at or close to BCPs.

## Map 2. Albania's land border crossing points<sup>144</sup>



The above-mentioned capacity shortfalls form the focus of national development efforts, which seek to develop the various transport modes (road, rail, maritime and air) as a prerequisite for supporting a competitive multi-modal transport system that is in line with the EU Acquis requirements.<sup>145</sup> Priorities for the period until 2020 include the construction and rehabilitation of more than 3,500 km of primary roads; the extension and rehabilitation of 1700 km of rural roads; the rehabilitation and extension of main rail networks to support intermodal transport; and the consolidation and further development of maritime transport services.<sup>146</sup>

In 2015, and with funds from the donor community, Albania had embarked on the lengthy preparations for acceding the EU's Common Transit Convention (CTC), including the consolidation of an IT system that is fully compatible with the EU's New Computerised Transit System used by all CTC members.<sup>147</sup> Work was also underway for developing the road network linking Tirana and Elbasan, amidst resource mobilization efforts to finance an ambitious investment plan for improving the rail, road and maritime transport systems (Box 3.1).<sup>148</sup>

<sup>144</sup> With the exception of Bajzë, which is accessed by rail, all the land BCPs are located on primary road networks.

<sup>145</sup> For further details, see the National Strategy for Development and Integration 2014-2020; and, the National Plan for European Integration 2014-2020.

<sup>146</sup> National Strategy for Development and Integration 2014-2020.

<sup>147</sup> Albania obtained observer status to the CTC in 2012.

<sup>148</sup> Ministry of Transportation and Infrastructure of the Republic of Albania (2014) Transport Infrastructure Priority Projects

Box 3.1 Albania's Priority infrastructure development plans	
<b>Rail</b>	
<ul style="list-style-type: none"> <li>• The rehabilitation and extension of the Tirana – Rinas (Airport) – Durrës line, including construction of Tirana-Rinas airport line and the rehabilitation of the line Durrës -Tirana line</li> <li>• The rehabilitation of Durrës – Vlorë line, which links Durrës to Vlorë via and its vicinity via Rrogozhine.</li> <li>• The rehabilitation of Durrës – Han i Hotit (Montenegro Border) line, which links Durrës with Milot industrial area and Shëngjini Port in the northern part of Albania</li> <li>• The rehabilitation of the Durrës – Lin, Pogradec (FYROM Border) line, which passes through the industrial area of Elbasan and ends in Lin.</li> </ul>	
<b>Road</b>	
<ul style="list-style-type: none"> <li>• The completion of the Arbëri Road (72 km in total length), so as to link Tirana to FYROM through Peshkopia.</li> <li>• The completion of the Gjirokastër – Sarandë road in the southern part of Albania</li> </ul>	
<b>Sea</b>	
The construction of the New Port of Shëngjin, so as to cater for the need of Kosovo, Montenegro, Serbia, FYROM and other Balkan countries, including Rumania and Bulgaria.	

These efforts are anchored in and guided by regional transport development initiatives, and the imperative of bringing the entire transport system up to EU *Acquis* requirements. However, implementation remains slow due to the huge investments involved and the country's mountainous terrain. As shown

in the next section, most of the above-mentioned capacity shortfalls are addressed through regional transport development plans. Table 3.8 provides a number of complementary recommendations, which could form the focus of immediate interventions.

**Table 3.8 - Outstanding needs and recommendations in the areas of transport and logistics**

Outstanding needs	Recommendations
<b>Abolish unnecessary fees</b>	<ul style="list-style-type: none"> <li>• The arrangement by which truck drivers are charged for parking their vehicles at BCPs whilst awaiting routine checking of their paperwork and customs clearance should be abolished.</li> </ul>
<b>Improve overall road safety</b>	<ul style="list-style-type: none"> <li>• Consider joining the UNECE Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles. The agreement provides the basis for the harmonisation vehicle technical safety and emissions standards, including for heavy vehicles.</li> <li>• Roads serving national traffic could benefit from more emphasis on road rehabilitation and improvement in safety characteristics.</li> <li>• Establish congestion mitigation strategies, which feature a special emphasis on using intelligent IT systems.</li> </ul>
<b>Equip Durrës and Vlorë ports with modern facilities and basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Consolidating the basic infrastructure of the Port of Durrës through expanding the container terminal yard, increasing storage facilities, in addition to modernizing the berths and administrative buildings. Development priorities for the Port of Vlorë include the expansion of the parking area and storage facilities.<sup>149</sup> These measures have been well documented and remain pertinent.</li> <li>• Assist port authorities in developing port traffic management strategies and plans.</li> <li>• The Government needs to allocate more resources for the purpose of addressing the above-mentioned capacity needs.</li> </ul>
<b>Improve facilities at BCPs and inland terminals</b>	<ul style="list-style-type: none"> <li>• The reconstruction or refurbishment of BCPs should feature special focus on basic infrastructure for clearing perishable goods, including (i) adequate facilities for physical inspection of cargo; and (ii) refrigeration points for perishable cargo; and (iii) quarantine facilities at or close to BCPs. In addition, proper office accommodation (rather than portcabins) should also be provided for NFA officials.</li> </ul>
<b>Improve the bargaining position of Albanian shippers</b>	<ul style="list-style-type: none"> <li>• Consider establishing a national shippers council to assume the function of negotiating favourable rates with international transport operators.</li> </ul>

<sup>149</sup> World Bank (2014) Regional Transport Study (REBIS update) Maritime and inland port capacity estimation

for the countries of Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Albania.

### 3.6 Regional cooperation and transit trade

Albania's transport development projects are closely coordinated with the South East Europe Transport Observatory (SEETO) Comprehensive Network initiative, which comprises the membership of Albania, Bosnia and Herzegovina, Croatia, FYROM, Montenegro, Serbia, the UN Mission in Kosovo (UNMIK) and

the European Commission.<sup>150</sup> Launched in 2004, the initiative seeks to consolidate a regional multimodal transport system in South East Europe (SEE), which is linked to the EU's two-layered Trans-European Transport Network (TEN-T) Corridors IV, V, VII, VIII and X, including the "core network" carrying the bulk of passengers and good and the "comprehensive network" that provides access to the core network (Box 3.2).<sup>151</sup>

Box 3.2 SEETO Comprehensive Network	
<b>Road Corridors</b>	
<ul style="list-style-type: none"> <li>• Corridor V B (274 km): Rupa (Slovenian border) – Zagreb (Croatia) – Gorican (Hungarian border)</li> <li>• Corridor V C (541 km): Dubosevica (Hungarian border) – Osijek (Croatia) – Sarajevo (Bosnia and Herzegovina) – Ploce (Croatia)</li> <li>• Corridor VIII (657 km): Tirane/ Durres/ Vlore (Albania) – Skopje (FYROM) – Deve Bair (Bulgarian border)</li> <li>• Corridor X (1,031 km): Bregana (Slovenian border) – Zagreb (Croatia) – Belgrade (Serbia) – Skopje (the former Yugoslav Republic of Macedonia) – Bogorodica (Greek border)</li> <li>• Corridor X A (63 km): Donji Macelj (Slovenian border) – Zagreb (Croatia)</li> <li>• Corridor X B (185 km): Horgos (Hungarian border) —Novi Belgrade (Serbia)</li> <li>• Corridor X C (110 km): Nis (Serbia) —Gradina (Bulgarian border)</li> <li>• Corridor X D (117 km): Veles (FYROM) —Medzitlija (Greek border)</li> </ul>	
<b>Road routes</b>	
<ul style="list-style-type: none"> <li>• Route 1 (712km): Bosiljevo 2 (Croatia) – Split (Croatia) – Ploce (Croatia) – Neum (Bosnia and Herzegovina) – Dubrovnik (Croatia) – Bar (Montenegro)</li> <li>• Route 2 A (239 km): Okucani (Croatia) – Banja Luka (Bosnia and Herzegovina) – Lasva (Bosnia and Herzegovina)</li> <li>• Route 2 B (395 km): Sarajevo (Bosnia and Herzegovina) – Podgorica (Montenegro) – Vore (Albania)</li> <li>• Route 2 C (125 km): Fier (Albania) —Kakavija (Greek border)</li> <li>• Route 3 (185 km): Sarajevo (Bosnia and Herzegovina) —Uzice (Serbia)</li> <li>• Route 4 (601 km): Vatin (Romanian border) – Belgrade (Serbia) – Podgorica (Montenegro) – Bar (Montenegro)</li> <li>• Route 5 (213 km): Cacak (Serbia) – Krusevac (Serbia) – Paracin (Serbia) – Vrska Cuka (Bulgarian border)</li> <li>• Route 6 A (259 km): Ribarevina (Montenegro) – Ribarice (Serbia) – Pristina (Kosovo) – Skopje (the former Yugoslav Republic of Macedonia)</li> <li>• Route 6 B (205 km): Pristina (Kosovo) –Peje/Pec (Kosovo) – Skopje (the former Yugoslav Republic of Macedonia)</li> <li>• Route 7 (314 km): Lezhe (Albania) – Pristina (Kosovo) – Doljevac (Serbia)</li> <li>• Route 8 (78 km): Podmolje ( the former Yugoslav Republic of Macedonia) – Bitola ( the former Yugoslav Republic of Macedonia)</li> <li>• Route 9 (43 km): Vukovar (Croatia) –Zupanja (Croatia)</li> <li>• Route 10 (183 km): Pula (Croatia) – Rijeka (Croatia) – Zuta Lokva (Croatia)</li> </ul>	
<b>Rail Corridors</b>	
<ul style="list-style-type: none"> <li>• Corridor V B (338 km): Sapjane (Slovenian border) – Zagreb (Croatia) – Botovo (Hungarian border)</li> <li>• Corridor V C (554 km): Beli Manastir (Hungarian border) – Osijek (Croatia) – Sarajevo (Bosnia and Herzegovina) – Ploce (Croatia)</li> <li>• Corridor VIII (426 km): Tirana/ Durres/ Vlore (Albania) – Lin/Pogradec (Albania)-Kicevo (the former Yugoslav Republic of Macedonia) – Skopje – Kumanovo (the former Yugoslav Republic of Macedonia) – Beljakovci (the former Yugoslav Republic of Macedonia)</li> <li>• Corridor X (1,177 km): Savski Marof (Slovenian border) – Zagreb (Croatia) – Belgrade (Serbia) – Skopje (FYROM) – Gevgelija (Greek border)</li> <li>• Corridor X B (151 km): Klebija (Hungarian border) – Stara Pazova (Serbia)</li> <li>• Corridor X C (104 km): Nis (Serbia) – Dimitovgrad (Bulgarian border)</li> <li>• Corridor X D (145 km): Veles (the former Yugoslav Republic of Macedonia) – Kremenica (Greek border)</li> </ul>	

<sup>150</sup> See Memorandum of Understanding (MoU) on the development of the South East Europe Core Regional Transport Network between the Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, Serbia and Montenegro, the former Yugoslav Republic of Macedonia, the United Nations Interim Administration

Mission in Kosovo, signed in Luxembourg on June 11, 2004. The MOU and subsequent agreements are available at: <http://www.seetoint.org/>.

<sup>151</sup> Further details on TEN-T are available at: [http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/maps\\_en.htm](http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/maps_en.htm)



### Box 3.2 SEETO Comprehensive Network

#### Rail routes

- Route 1 (442 km): Ostarije (Croatia) — Split (Croatia)
- Route 2 (144 km): Podgorica (Montenegro) — Vlore (Albania)
- Route 4 (580 km): Vrsac (Romanian border) — Belgrade (Serbia) — Bar (Montenegro)
- Route 9 A (224 km): Banja Luka (Bosnia and Herzegovina) – Doboj (Bosnia and Herzegovina) – Tuzla (Bosnia and Herzegovina) – Brcko (Bosnia and Herzegovina)
- Route 9 B (18 km): Vinkovci (Croatia) – Vukovar (Croatia)
- Route 10 (256 km): Kraljevo (Serbia) — Pristina (Kosovo) — Gorce Petrov (FYROM)
- Route 11 (138 km): Pozega (Serbia) — Stalac (Serbia).
- Route 12 (51 km): Cakovec (Slovenian border) – Kotoriba (Hungarian border)
- Route 13 (28 km): Horgos (Hungarian border) – Subotica (Serbia)

#### Airports

17 airports in the seven SEETO member countries

#### Seaports

10 seaports in Albania, Croatia and Montenegro

#### Inland waters

1,359 km of inland waterways (the rivers Danube, Sava, Tisa and Drava), with eight river ports in Croatia, Bosnia and Herzegovina and Serbia.

Albania is strategically located along the SEETO Corridor VIII, which runs east-west through south-eastern Europe, linking the Adriatic and Ionian Seas to the Black Sea (See Map 2 below and Annex I). Hence, the Government's particular emphasis on develop-

ing transport systems along Corridor VIII, including, the Tirana – Rinas (Airport) – Durrës rail line; the road and rail networks linking Albania and FYROM; the road segment connecting Tirana and Elbasan; and the ports of Durrës and Vlorë.

**Map 2: SEETO Comprehensive/Core Rail Network**





Since 2015, the SEETO Network has come to feature prominently in the EU transport development plans as an indicative extension of the TEN-T network into the Western Balkans.<sup>152</sup> The network has also come to constitute an essential element in the realization of the Western Balkans' Connectivity Agenda, which has been recently consolidated with a priority list of "soft measures" geared to further liberalize the railway transport market in SEETO member countries; improve the competitiveness, reliability and safety of national transport systems; and, increase the effectiveness of cross border control procedures.<sup>153</sup> The implementation of these measures is guided by an inter-institutional Working Group on Transport Facilitation (TFWG), which was established by the SEETO Secretariat to bring representatives from the member countries together with regional stakeholders (CEFTA Secretariat, transport industry as well as EC services and international organisations involved in transport and trade facilitation).

Efforts to integrate the country's transport systems into SEETO's Core Network are complemented by other regional and bilateral transport facilitation arrangements. Albania is a member of the Black Sea Economic Cooperation (BSEC) forum, which operates a permit system for facilitating bilateral and transit transport of goods by road.<sup>154</sup> At the bilateral level, the road transport between Albania, FYROM, Montenegro and Kosovo is fully liberalized for both freight and passengers. Cooperation arrangements also benefit from the TIR Convention and the WCO (Admission Temporaire - Temporary Admission). Goods in transit

are transported under the cover TIR Carnets, while the ATA Carnet is used for temporary admission.

The assessment brings forward a number of shortfalls that need to be addressed at the regional and bilateral levels. Traders drew attention to the fact that the delays experienced in shipping inbound consignments by rail from Serbia are mainly the result of weaknesses in regional networks, including those segments belonging to the SEETO network, which manifest themselves in the form of speed limits that should be observed for safety purposes.<sup>155</sup>

Traders also reported experiencing difficulties exporting through/to Kosovo via the Morinë (Kukës) BCP. All interviewed exporters said that their consignments are invariably blocked because Kosovar authorities do not accept the certificates of analysis and quality certificates issued by their counterparts in Albania. They also complained about repetitive weighing controls and physical inspections, which involve opening containers and inspecting the contents. In addition, disputes over customs valuation were highlighted as a recurrent problem, due to differences in tariff classification. Exporters also reported experiencing difficulties in meeting the labelling requirements of Kosovo. Traders complained that meeting these requirements generate additional costs (time and financial wise), since the required information has to be printed on stickers and affixed to each package.

These bottlenecks have been receiving priority treatment since the Morinë (Kukës) BCP with Kosovo forms an important lifeblood of the trade sector. It handles the largest part of all goods traffic to/from/through Kosovo as well inbound traffic coming into Albania from the North-East, and is located at the centre of the road network (Durrës –Kukës-Morinë) which the Government is keen on completing to ensure optimal connection to Corridor X and to Serbia through Pristina. Recent interventions have involved the establishment of a Framework Agreement for Cooperation in the Promotion and Facilitation of Trade

<sup>152</sup> In 2015, the EU elected to refer to the SEETO Network as the "Indicative extension of the TEN-T Comprehensive/Core Network to the Western Balkans".

<sup>153</sup> The Connectivity Agenda was launched during the 2014 Conference of Western Balkan States in Berlin, Germany, which set in motion a regional initiative, commonly referred to as the Berlin Process, in support of the future enlargement of the EU. The common priority list of soft measures on transport were agreed upon during the 2015 Conference of Western Balkan States that was held in Vienna. For further details see [http://ec.europa.eu/enlargement/pdf/policy-highlights/regional-cooperation/20150828\\_addendum\\_western\\_balkans\\_summit.pdf](http://ec.europa.eu/enlargement/pdf/policy-highlights/regional-cooperation/20150828_addendum_western_balkans_summit.pdf); [http://ec.europa.eu/enlargement/pdf/policy-highlights/regional-cooperation/20150828\\_vienna\\_info\\_pack.pdf](http://ec.europa.eu/enlargement/pdf/policy-highlights/regional-cooperation/20150828_vienna_info_pack.pdf).

<sup>154</sup> The BSEC Permit, which was launched in 2010, covered bilateral and transit transport operations. In 2015, discussions were underway to extend its usage to third country road transport operations and broaden its scope from single to multiple journeys.

<sup>155</sup> An important rail link is the one provided by SEETO's rail route (R10) : Serbia-Kosovo-FYRM. Traders did not refer to this rail link in particular. Yet, a cursory examination of recent evaluations, show that R10 is in poor condition, with structural limitations that do not allow for traffic in excess of 60km/h and in some areas 20 kilometres per hour. Further details are available at: [http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/corridors/orient-eastmed\\_en.htm](http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/corridors/orient-eastmed_en.htm).

between the two parties.<sup>156</sup> The agreement, which was signed in 2014, stipulates data harmonization and electronic data exchange; the harmonization and simplification transit transport procedures (including simplification of guaranty procedures; elimination of unnecessary procedures and wider use of risk-based control).

As is the case with multifaceted bilateral agreements, successful implementation is a function of efforts invested in building the required institutional capacities at the national level national institutions. The results of the survey suggests that more needs to be done to strengthen these agencies with the required expertise skills and IT systems. Otherwise, these agencies will remain awkwardly placed to implement the agreement.

Similarly, the economic and financial viability of completing the rail link between Albania and the FYROM depends on improving the competitiveness

of the Port of Durrës and the Government’s success in removing regulatory and procedural barriers to trade. This is important for stimulating increased traffic from Bulgaria and other (Balkan and non-Balkan) countries. It is also important for stimulating increased investments to bring the Albanian rail network in line with the AGTC Agreement provisions on line speed and axle load. Previous studies show potential. However, existing traffic levels remain insufficient to justify anything other than rehabilitation of existing lines or limited and localised improvements below AGTC standards.

Table 3.9 provides a number of complementary recommendations for enabling Albania to reap benefits from existing regional cooperation arrangements.

**Table 3.9 - Outstanding needs and recommendations for facilitating transit trade**

Outstanding needs	Recommendations
<b>Harmonizing customs control procedures between Albania and Kosovo</b>	<ul style="list-style-type: none"> <li>● Accord priority to supporting the implementation of trade facilitation and other provisions under the Framework Agreement for Cooperation in the Promotion and Facilitation of Trade between the two countries</li> </ul>
<b>Rehabilitate existing rail lines</b>	<ul style="list-style-type: none"> <li>● Existing traffic levels remain insufficient to justify anything other than rehabilitation of existing lines or limited and localised improvements below AGTC standards.</li> </ul>

<sup>156</sup> Protocol for “Implementation of Framework Agreement between the Government of the Republic of Albania and the Republic of Kosovo on Cooperation in Trade Promotion and Facilitation” Technical assistance was provided by the World Bank Group International Finance Cooperation (IFC) in close cooperation with CEFTA within the context of an EU funded project. Details are available at: [http://ec.europa.eu/enlargement/pdf/financial\\_assistance/ipa/2011/pf\\_4\\_ipa\\_2011\\_trade\\_logistics.pdf](http://ec.europa.eu/enlargement/pdf/financial_assistance/ipa/2011/pf_4_ipa_2011_trade_logistics.pdf).



# Chapter Four

## Regulatory and standardization policies

### 4.1 Introduction

Since the signing of Stabilization and Association Agreement (SAA) agreement in 2006, reforms in the areas of standardization, quality assurance, accreditation and metrology (SQAM) have been geared toward approximating national laws to the EU *Acquis Communautaire*.<sup>157</sup> While the country had gone a long way in achieving this strategic objective, the complex and multi-faceted nature of the approximation process has meant that capacity-building efforts lagged behind. At the same time, gains achieved under donor-funded capacity-building initiatives have been difficult to maintain due to high turnover rates within State agencies and, in some cases, the lack of resources to sustain gains beyond the international funding cycle.

Reforms have also been challenged by the language barrier. Only a handful of national experts and Government staff have a good command on the official and working languages of the EU, including the most commonly used English language. Officials are, therefore, in a disadvantaged position to grasp the highly technical requirements of the EU *Acquis* or keep abreast of new developments emerging from international debates and regional consultations.

These factors have rendered a situation, whereby SQAM institutions are unable to fully address the demanding twin objectives of ensuring safety and trade facilitation. Enterprises are also finding it difficult to comply with safety and quality requirements.

Drawing on the results of the face-to-face interviews with relevant State agencies, this chapter highlights the main capacity shortfalls that need to be accorded priority treatment. The introduction is followed by a brief overview of Albania's quality control and quality assurance system, which leads to a discussion of main capacity shortfalls and a number of recommendations for consolidating reforms to date.

<sup>157</sup> Pursuant to the Stabilization and Association Agreement (SAA), which entered into force in 1 April 2009, Albania committed itself to conform to EU legislations and principles in the areas of technical regulations, standardization policies, metrology, accreditation and conformity assessment.

### 4.2 Quality control and quality assurance system

In 2016, the Albanian system of quality control and quality assurance consisted of the General Directorate of Standardization (DPS), the General Directorate of Accreditation (DPA) and the General Directorate of Metrology (DPM) along with an assortment of independent conformity assessment bodies (CABs), which provide certification, testing, inspection and calibration services.

DPS is the standard setting body responsible for developing, adopting, implementing, withdrawing and publishing Albanian standards (S SH), including for the telecommunication field. DPS is a correspondent member without voting right of the International Organization for Standardization (ISO); an associate member of the International Electrotechnical Commission (IEC) with full voting rights in four Technical Committees; and an affiliate member without voting rights in the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC). DPS has established cooperation agreements with the standardization bodies in Azerbaijan, Bosnia Hercegovina, Croatia, Czech Republic, FYROM, Kosovo, Montenegro, the Russian Federation and Turkey. Moreover, Albania has been a full member of the Telecommunication Standards (ETSI) since 2013 and has adopted around 60 percent of ETSI standards

DPA is responsible for accrediting CABs. It is a member of the European Organization for Accreditation (EA) and the International Accreditation Forum (IAF) and an associate member of the International Laboratory Accreditation Cooperation (ILAC). DPA has established cooperation agreements with its counterparts in FYROM, Greece, Kosovo, Montenegro, Poland, Romania, Sweden and Turkey.

DPM is responsible for implementing all national policies in the field of metrology. Thus unlike many other European countries, where metrology functions are carried out by different organizations, DPM handles scientific and industrial metrology, legal metrology and verification of measuring instruments. It creates, maintains and uses national measurement standards

and references; controls measuring instruments in the fields of trade, health care, environmental protection and technical safety, including type approvals and verification requirements; undertakes quantity control of pre-packaged goods; and, offers calibration services to producers and users of measuring instruments.

DPM is a full member of the European Association of National Metrology Institutes (EURAMET), the International Measurement Confederation (IMEKO) and the International Organization for Legal Metrology (OIML); an associate state of the General Conference on Weights and Measures (enabling participation in the activities of the International Bureau of Weights and Measures, BIPM) and the European Coopera-

tion in Legal Metrology (WELMEC); and, an applicant member to the European Federation of National Associations of Measurement, Testing and Analytical Laboratories (EUROLAB).

The three Directorates work under the responsibility of the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE), previously the Ministry of Economic Development, Trade and Entrepreneurship, which is tasked with the overall horizontal coordination of reform and development efforts in the areas of technical regulations, standardization, quality assurance and metrology (Box 4.1).<sup>158</sup>

MEDTTE, which reports to the Prime Minister's Office, works in close cooperation with the Ministry of Euro-

#### Box 4.1 Tasks and responsibilities of MEDTTE as an overarching body for ensuring the proper functioning of the SQAM system

- Preparation of draft laws and bylaws, as well as coordination of work among line ministries for the transposition of directives in the field of free movement of goods, right of establishment and freedom to provide services, commercial companies, intellectual property and enterprise policy and industrial policy, as well as external relations in accordance with Chapters 1, 3, 6, 7, 20, 28 and 30 of the *acquis*
- Provision of accreditation services to conformity assessment bodies.
- Adoption of European and international standards and awareness of the community business benefits from the implementation of technical standards in their products and services.
- Development and maintenance of national standard measurement units.
- Calibration and verification of measurement instruments.
- Implementation of metrological inspection.
- Approval of conformity assessment bodies for performing specific tasks of conformity assessment for products under the responsibility of the Ministry.
- Compilation of annual and medium-term budgetary policy in line with the sectoral and cross-cutting strategies in areas under the responsibility of the Ministry, in implementation of the government program and National Strategy on Development and Integration
- Preparation of acts, laws and bylaws, that serve the scope of activity the Ministry and its subordinate institutions, as well as providing opinions on draft law proposed by the line ministries.
- Overall coordination of market surveillance activities.

<sup>158</sup> See Decision of Council of Ministers No. 835 of 18 September 2013 "For determining the area responsibility of the ministry of economic development, trade and entrepreneurship". Full text is available at: [http://qbz.gov.al:81/botime/fletore\\_zyrtare/2013/PDF-2013/158-2013.pdf](http://qbz.gov.al:81/botime/fletore_zyrtare/2013/PDF-2013/158-2013.pdf). These tasks and responsibilities were withheld under the Council of Ministers Decision No. 158

of 25 February 2015, which expanded the task and responsibilities of MEDTE to include the tourism sector. MEDTTE was created by Presidential Decree No. 8915 of 27 January 2015. Market surveillance responsibilities were added pursuant to Law 2011/10489 "On trade and market surveillance for non-food products". These responsibilities are discussed in section 4.5.

pean Integration, which is responsible for the overall management and coordination of the country's integration with the EU. The latter develops national policies for guiding the integration process and coordinates the approximation of national legislation to that of the EU Community.

Working closely with the above-mentioned institutions is MARDWR, which acts as the WTO National Enquiry Point for the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and represents the country at Codex Alimentarius.<sup>159</sup> MARDWR also represents Albania at the European and Mediterranean Plant Protection Organization (EPPO), the World Organization for Animal Health (OIE), and at the International Plant Protection Convention (IPPC).<sup>160</sup>

MARDWR is also responsible for the main agencies dealing with food safety, plant and animal health, including the Food Safety and Veterinary Institute (FSVI) and the National Food Authority (NFA). FSVI is a national reference centre responsible for developing scientific research and application activities in the areas of animal health and food quality; foodstuff residues; veterinary products registration; and, plant protection. It also carries out premarket and post veterinary control.

The NFA, which works through 12 regional offices and 13 inland inspection facilities at main BCPs, is responsible for: (i) risk assessment, risk management and risk communication activities; (ii) at the border phytosanitary and veterinary control of exports/imports of animals, plants, and animal and plant inputs and products, including sampling and testing; (iii) onsite inspections of food and feed producers operators and of products placed on the market; and, (iv) testing and certification of food products designated for exports.<sup>161</sup>

### 4.3 Technical regulations

Consistent with the WTO rules, existing legislation prohibits quantitative restrictions on imports and all measures having equivalent effect on the free movement of goods, except in special circumstances pro-

vided by law.<sup>162</sup> This is the main principle informing the development of Albania's technical regulations, which, since 2006, has involved the approximation of horizontal and vertical regulations with relevant European legislation and basic principles of minimum requirements and absence of mandatory standards.

Technical regulations development is guided by an inter-ministerial working group,<sup>163</sup> which decides the scope and sequence of the harmonization with the EU legislation as established under New Approach Directives to technical harmonization and standards and the Old Approach product legislation.<sup>164</sup> Priorities are spelled out in the multi-year strategic plans for European integration,<sup>165</sup> with the drafting of regulations carried out by the following Ministries: MEDTTE (EU *Acquis* legislation on the freedom of movement of goods and the New Legislative Framework horizontal regulations); Construction; Energy and Industry; Environment; Health; Innovation and Public Administration; Transportation and Infrastructure; Work and Social Affairs. DPS (in relation to information on standards) and DPM (measurement instruments) are also involved in drafting technical regulations.<sup>166</sup>

This process is complicated by the lack of experienced staff with intimate knowledge of the different aspects of the EU directives and their implication for the Albanian economy. This is all the more so, because

<sup>162</sup> See Law 10489/2011 "On trade and market surveillance of non-food products".

<sup>163</sup> The inter-ministerial working group is guided by the provisions of Order No.107 of 28 February 2014 on the Setting Up, Composition and Functioning of the Inter-institutional Working Groups for European Integration. The Order reorganised existing inter-institutional Working Groups (IWGs) to ensure alignment with the different chapter of the EU *Acquis*

<sup>164</sup> The New Approach Directives confine the requirements to the protection of health, property, the environment and safety, and lay down uniform procedures for the approval of conformity. All harmonized European standards, providing detailed specifications of products follow these Directives. Detailed requirements are given in the Directives of the Old (Sectoral) Approach, and these have to be interpreted individually.

<sup>165</sup> In 2015, the National Plan for European Integration 2014-2020 served as a basis for guiding the approximation process and overall integration into the EU.

<sup>166</sup> According to existing procedures draft technical regulations are circulated among the relevant Ministries and State agencies for comments before formal submission to the Council of Ministers for approval.

<sup>159</sup> Albania is represented by the Food Safety and Veterinary Institute (FSVI) under MARDWR.

<sup>160</sup> Albania is a member of EPPO and OIE and a contracting party to IPPC.

<sup>161</sup> Law No. 9863 of 28 January 2008 "On Food"



the majority of the harmonized European standards (ENs) were adopted as national standards by the cover-sheet method. Only the title page is translated into Albanian, with the remaining text kept in the original language (i.e., English). As such, legislators, who invariably lack a good command of the English language, are not well equipped to assess, for any given sector, which EN standard(s) should be used, for which regulatory objectives and with which link to other international standards.

The successive ministerial restructuring schemes are yet another encumbering factor. Officials noted that overall coordination between MEDTTE and the Ministry of Energy and Industry (MEI) has become difficult, as both Ministries have good reason to claim responsibility over the different industrial sectors and product groups.<sup>167</sup>

Officials also drew attention to the limited participation of the business community in the development of technical regulations. Enterprises are not showing interest in this process, they argued, since Albania does not have a market surveillance system to enforce compliance.<sup>168</sup> No doubt that the absence of an enforcement mechanism dampens the business community's involvement, but this is only one of the factors at work. Proposed technical regulations are not accessible to the public,<sup>169</sup> and presentations of draft regulations are organized on an *ad hoc* basis.<sup>170</sup> Traders have to piece together the applied technical regulations from different sources, as the information published on the websites of individual agencies is neither up-to-date nor complete and there is no single centralized inventory of technical regulations.

<sup>167</sup> The two Ministries were created following several changes, which started in 2013 with the split of the former Ministry of Economy, Trade and Energy into the Ministry of Economy, Trade and Entrepreneurship, and the Ministry of Energy and Industry. In 2015, the Ministry of the Ministry of Economy, Trade and Entrepreneurship was transformed into MEDTTE, after assuming responsibility over the tourism sector.

<sup>168</sup> A discussion on Albania's market surveillance system is provided in section 4.5.

<sup>169</sup> Draft technical regulations are not published on the websites of the different State agencies and line Ministries involved.

<sup>170</sup> None of the interviewed traders reported participating in national consultations, be it through workshops or written feedback, over draft technical regulations.

The above-mentioned shortfalls have rendered a situation, whereby approximation has taken the form of transposing the translated corresponding EU directives into national law without proper adaptation. Regulatory impact assessments (RIAs) to date have been mainly based on expert opinions and judgments, as opposed to a rigorous methodology. This has rendered a situation, whereby the adoption of technical regulations is often delayed as the relevant agencies and the Council of Ministers (COM) debate the potential impact of the requirements contained in the proposed legislation. In 2015, the COM approved 18 technical regulations, which are listed in Box 4.2.

#### Box 4.2 Technical regulations approved by COM in 2015

1. Low voltage equipment
2. Lifts
3. Simple pressure vessels
4. Pressure equipment
5. Electromagnetic Compatibility
6. Safety of machinery
7. Appliance burning gaseous fuels
8. Cableway installation designed to carry persons
9. Packaging
10. Efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels
11. Energy efficiency requirements for household electric refrigerators
12. Chemicals
13. Safety of toys
14. Personal protective equipment
15. Recreational craft
16. Construction of products
17. Explosives for civil use
18. Equipment and protective systems in potentially explosive atmosphere

In a cause-effect relation, the weaknesses in the decision-making process have set the limits to successful implementation. There remains a gap in institutional capacities, both in terms methodologies for generating synergies between the different policy areas and in terms of the required procedures for implementing technical regulations (Sections 4.5-4.6). Officials highlighted the following technical regulations as posing particular challenges at the implementation level:

- Law 89/2014 “For Medical Devices”;
- Law No.10390 of 3 March 2011 “On the use of fertilizers for plants”;



- COM Decision No.77 on “Technical Regulation on essential requirements and conformity assessment of non-automatic weighting instruments;
- COM Decision No. 546 of 13 June 2013 “On radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity”

The above-mentioned shortfalls come at a time when Albania, just like other EU member and acceding countries, has to deal with the challenges associated with the EU New Legislative Framework (NLF) for technical harmonization and standardization. Born out of extensive discussion, the NLF (as established under EC Regulation 765/2008 for accreditation and market surveillance and Decision 768/2008/EC on a common framework for the marketing of products) consolidates the New Approach into a more

coherent system that maps legislative requirements against the different actors in the international supply chain.<sup>171</sup> In so doing, the NFL shifts the emphasis from “placing on the market” to the “first making” of products available on the market, so that the onus is on the legal requirements applicable at the time of first making.

It would be difficult for the different agencies involved to ensure testing, verification, inception, certification and other conformity assessment procedures established under the EU directives under the current conditions of ambiguity over technical regulations. Table 4.1 provides a number of recommendations for the Government’s consideration.

**Table 4.1-Outstanding needs and recommendations in the area of technical regulation**

Outstanding needs	Recommendations
<b>Build a core team of experts in the field of technical regulations in relevant line Ministries and State agencies.</b>	<ul style="list-style-type: none"> <li>● Train staff in agencies responsible for drafting technical regulations on legal, administrative and technical issues. Special emphasis should be accorded to familiarizing staff on EU Directives.</li> <li>● Prepare a reference RIA methodology for capturing the implications of the harmonization process for the different industrial sectors, and train staff on its use.</li> </ul>
<b>Ensure proper implementation of existing and draft technical regulations</b>	<ul style="list-style-type: none"> <li>● Establish the required corresponding administrative procedures for guiding the implementation of harmonized technical regulations</li> </ul>
<b>Improve existing coordination and oversight mechanisms</b>	<ul style="list-style-type: none"> <li>● Establish an electronic national database of existing technical regulations with explanatory brochures on their implications for the enterprise sector.</li> <li>● Address instances of unclear demarcation of responsibilities between line Ministries</li> </ul>
<b>Ensure broad participation of business community</b>	<ul style="list-style-type: none"> <li>● Organize awareness raising activities to familiarize the concepts and basic tenets of technical regulations, including the use of harmonized standards in technical regulations</li> <li>● Establish procedures for discussing draft technical regulations with the private sector. These discussions should also feature a special focus on the implication of the draft regulations for the enterprise sector and the economy as a whole. In addition to MEDTTE, Chambers of Commerce and Industry and the Trade facilitation Council/Committee should be used a platform for soliciting the private sector’s feedback.</li> <li>● Establish mechanisms to enable enterprises to report the challenges they face in fulfilling the new legislative requirements.</li> </ul>

<sup>171</sup> Regulation No. 765/2008 and No. 768/2008/EC are available at: [http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index\\_en.htm](http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index_en.htm)

#### 4.4 Standardization

Standards are developed by technical committees, which, since 2006, have been mainly focused on transposing ENs into national law guided by detailed work programmes, which are published on the DPS website<sup>172</sup> and are duly notified to the ISO Information Centre. The programmes are developed by the DPS Technical Board drawing on consultations with the private sector, which are organized every six months. The programmes are also extensively discussed with the Technical Committees.

In 2015, the committees totalled 75, of which 61 were active (Annex 2-Table A2.1). Each committee brought together representatives from relevant public sector agencies (including all line ministries involved in drafting technical regulations, DPM and DPA) and private sector stakeholders who work on a voluntary basis under the guidance of the Technical Board.<sup>173</sup> DPS, which selects the heads of committees, serves as secretariat for all committees. Once completed, the draft standards are submitted to DPS for approval and subsequent publication in the official gazette.<sup>174</sup> DPS also publishes a quarterly Standards Bulletin (in Albanian) and a bi-annual catalogue of Albanian Standards.

However, standard-setting processes to date suggest limited contribution from the technical committees. The majority of national standards were established following the cover-sheet method. DPS, which is fully dependent on the public purse for covering its wage bill and running costs, cannot afford the costs associated with translating the ENs into Albanian or

training its key staff.<sup>134</sup> This means that the technical committees are not well placed to grasp the implications of legal texts, and DPS does not have in-house training facility for orienting standard-setting committees.

Less than 500 ENs and international standards transposed into the national standards system were fully translated into Albanian, which by 2015, comprised most of the ENs under the New Approach, including over 90 percent of those established by CEN and CENELEC standards and 60 percent of ETSI standards.<sup>135</sup> As shown in Table 4.1, the transposed ENs cover all fields, barring energy efficiency and some aspects of mechanical engineering and means of transport (as Albania has yet to transpose EU Directive 2009/128/EC on inspection of pesticide application equipment). Albania has also transposed 16 percent of IEC standards and 19 percent of ISO standards.

<sup>172</sup> The programmes are published every six months at: [www.dps.gov.al](http://www.dps.gov.al)

<sup>173</sup> Membership in the technical committees is open to industries, consumers, certification bodies, DPA, chambers of commerce, business associations and the academia. The committees are established and dissolved by the technical board, which brings together relevant public and private stakeholders on a voluntary basis to act as an advisory body to DPS in the area of standard setting. See Decision of Council of Ministers No. 190 of 13 March 2012 "On the Code of drafting, adoption and implementation of standards". The legal basis for standardization is established under Law No. 9870/2008 of 2 April 2008 "On Standardization" as amended by Law No. 10384/2011 and other legal acts for its implementation.

<sup>174</sup> [www.qbz.gov.al/](http://www.qbz.gov.al/)

<sup>175</sup> Revenues generated from the sale of standards are channelled to the State budget.

<sup>176</sup> CEN, CENLEC and ETSI are the recognized European Standards Organizations entrusted with the supporting the development of harmonized European Standards (ENs).

**Table 4.1- Approximation of national laws with EU harmonized standards**  
(as at December 2015)

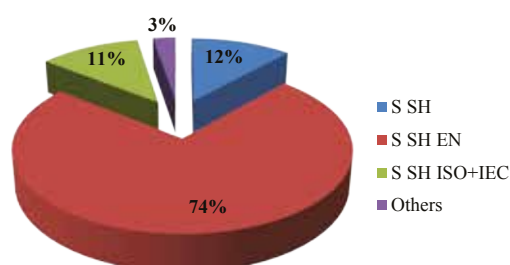
Field	European New Approach Directive	Subject of regulation	Number of ENs	Number of (S SH EN)	% of transposed EN-s
<b>Chemicals</b>	93/15/EEC	Explosives for civil uses	58	58	100%
	2007/23/EC	Pyrotechnic articles	5	5	100%
	(EC) 1907/2006	Chemical substances	3	3	100%
<b>Conformity assessment and management systems</b>	765/2008/EC	New legislative framework; Eco-management and audit scheme	32	32	100%
	768/2008/EC				
	(EC) 1221/2009				
<b>Construction</b>	89/106/EEC	Construction products	567	567	100%
<b>Consumers and workers protection</b>	89/686/EEC	Personal protective equipment	354	354	100%
	2009/48/EC, 88/378/EEC	Toys safety	15	15	100%
	2001/95/EC	General product safety	46	46	100%
	(EC) 1223/2009	Cosmetics	1	1	100%
	<b>Electric and electronic engineering</b>	94/9/EC	Equipment for explosive atmospheres	105	354
2006/95/EC		Low voltage equipment	1358	1358	100%
2004/108/EC		Electromagnetic compatibility	242	238	98%
1999/5/EC		Radio and telecommunications terminal equipment	287	59	20%
2011/65/EU		Restriction of the use of certain hazardous substances	1	1	100%
<b>Healthcare engineering</b>		90/385/EEC	Active implantable medical devices	44	44
	93/42/EEC	Medical Devices	218	218	100%
	98/79/EC	In vitro diagnostic medical devices	38	38	100%
<b>Measuring technology</b>	2004/22/EC	Measuring instruments	24	24	100%
	2009/23/EC	Non-automatic weighing instruments	1	1	100%
<b>Mechanical engineering and means of transportation</b>	2009/142/EC	Gas appliances	131	131	100%
	97/23/EC	Pressure equipment	258	256	99%
	2000/9/EC	Cableway installations	25	25	100%

Field	European New Approach Directive	Subject of regulation	Number of ENs	Number of (S SH EN)	% of transposed EN-s
	95/16/EC	Lifts	24	24	100%
	2006/42/EC	Machinery	749	749	100%
	2008/57/EC	Interoperability of the rail system	103	103	100%
	94/25/EC	Recreational craft	75	75	100%
<b>Services</b>	97/67/EC	Postal services	8	354	100%
<b>Sustainability</b>	94/62/EC	Packaging and packaging waste	6	6	100%

Source: DPS

The above-mentioned shortfalls mean that effective implementation of the Albanian harmonized standards (S SH EN) remains elusive, both in terms of referencing into technical regulations and in terms of ensuring enterprise compliance. This is a significant problem since these represent the largest segment (74 percent) of the Albanian register of national standards (Figure 4.1).

**Figure 4.1 - Breakdown of the Albanian national registry of standards (as at May 2015)**



Source: Albanian Ministry of European Integration<sup>177</sup>

As Albania forges ahead in approximating national laws with the remaining EN-s and international standards, it should attach priority to attaining membership in the regional and international standard setting agencies, where DPS is already active. Special attention should be given to mobilizing the industry's support of DPS following the recommendations provided in table 4.1. This is important not only for the purpose of ensuring policy responsiveness, but also enable DPS to establish a certain degree of self-sufficiency. Development experiences elsewhere shows that the success of national standard setting bodies in reducing their dependence on the public purse is a function of the business community's willingness to provide financial support. Table 4.2 summarizes the main steps that need to be taken to strengthen the standard-setting function.

**Table 4.2 - Outstanding needs and recommendations in the area of standardization**

Outstanding needs	Recommendations
<b>Strengthen DPS standard-setting function</b>	<ul style="list-style-type: none"> <li>● Translate the adopted ENs into Albanian</li> <li>● Establish a training facility within DPS on the different aspects of standard-setting activities, the use of harmonized standards in technical regulations and their implications for Albania. This facility should be also charged with the task of preparing detailed notes for informing the work of the technical committees.</li> <li>● Assist DPS in completing the requirements for becoming a full member in ISO, IEC, CEN and CENLEC. In this context, DPS should be provided with the required resources (both financial and human resources) to participate in the activities of regional and international standardization bodies.</li> </ul>

<sup>177</sup> Albanian Ministry of European Integration (2015) Annual progress report September 2014-May 2015.

## 4.5 Conformity assessment

The legal basis for conformity assessment is consistent with the New Approach rules and principles as established under the NFL including: presumption

of conformity; demarcation economic operators responsibilities; protection of CE marking; designated procedures for conformity assessment; and, the separation of accreditation from other quality control and quality assurance functions (Box 4.3).

### Box 4.3 Legal basis for conformity assessment: Key legislation

- Law No. 116/2014 “On Accreditation of conformity assessment bodies in Republic of Albania”.
- Law No. 10480 of 17 November 2011 “On general safety on non-food products” and subsequent amendments.
- Law No. 10489 of 15 December 2011 “On trade and market surveillance for non-food products” and subsequent amendments.
- Law No. 9863 of 28 January 2008 “On Food”
- Law No.10433 of 16 June 2011 “On Inspection”.
- Law No.10465 “On Veterinary Service”.
- Law No. 9362 “On Plant Protection Service”;
- Law No. 10416 “On the planting material and herbal multiplier”.
- Council of Ministers Decision No. 750 of 14 July 2010 “On approval of phytosanitary quarantine inspection rules”.
- Law No. 9902 of 17 April 2008 “On consumer protection” and subsequent amendments .
- Law No. 9875 of 14 February 2008 “On metrology” and subsequent amendments. Most recent of which involved the separation of the inspection function to another State agency, which operates in accordance with the law “On Inspection”.
- MARDWR Order No. 292/2006 of 12 June 2006 “On the approval of the regulation on health conditions for the production of fresh meat and respective placement into the market”
- Law No 10081 of 23 February 2009 “On licensing, authorization and permission in the Republic of Albania;
- MARDWR Order No. 20 of 25 November 2010 on the implementation of preliminary programmes of good hygiene practice, good manufacturing practices and procedures based on Hazard Analyses and Critical Control Points (HACCP) in food establishments.
- MARDWR No. 24 of 30 January 2013 “On unification of procedures, methods and documentation of laboratory functioning”.
- MARDWR Order No. 21 of 25 November 2010 on specific hygiene requirements and official controls on products of animal origin. The Ordinance incorporates into national legislation requirements laid down in Regulations (EC) Nos 853/2004 and 854/2004
- MARDWR Order No. 22, of 25/11/2010 on general and specific hygiene conditions for food establishments and food business operators, which incorporates EU legislation requirements laid down in Regulations (EC) 852/2004 and 853/2004;
- COM Decision No. 1344 of 10/10/2008 on the labelling of food products;
- COM Decision No. 538 of 26/5/2009 for licensing and permit from the national licensing centre and some other arrangements of common law;
- MARDWR Order No 26 I, of 10/9/2009 on microbiological criteria for foodstuffs. The Order incorporates into national legislation requirements laid down in Regulation (EC) No 2073/2005;
- MARDWR Order No 24, of 30/01/2013 on the unification of procedures, methods and documentation for laboratories.

However, conformity assessment results issued by Albanian CABs are not recognized internationally, as the DPA is yet to establish the Multilateral Agreements (MLA) with EA and ILAC. While existing legislation allows Albanian enterprises to seek the services of foreign CABs operating in Albania,<sup>178</sup> the number of foreign laboratories in Albania remains modest and seeking the services of CABs abroad is a rather complicated task for traders with limited experience and financial resources. Needless to say, this situation undermines the country's export competitiveness, as buyers have to pay for re-testing and re-certification.

As shown below, the signing of EA and ILAC MLAs should be complemented by targeted efforts to address capacity shortfalls within CABs and consolidate the market surveillance system. Otherwise, it would be difficult, if not impossible, to ensure continuous improvements in the quality levels of service providers and producers.

## Accreditation

Consistent with the EU rules, accreditation is only mandatory for CABs dealing with safety and health issues, and is provided by a single national accreditation body, the DPA, which operates according to SSH ISO/IEC/17011 (general requirements for accreditation bodies assessing and accrediting conformity assessment bodies). The DPA provides accreditation services for testing laboratories, calibration laboratories, medical laboratories, inspection, management system certification bodies as well as for product and person certification bodies following international standards (Table 4.3).

**Table 4.3- DPA accreditation services**

Scope/Activity	Standard
<b>Testing laboratories</b>	SSH ISO/IEC 17025
<b>Calibration laboratories</b>	SSH ISO/IEC 17025
<b>Medical laboratories</b>	SSH ISO/IEC 15189
<b>Inspection bodies</b>	SSH EN 17020

<sup>178</sup> Article 8 of the law On Accreditation states that CABs could request accreditation by a foreign body in situations : (a) where DPA does not perform accreditation for the particular conformity assessment activities; and, (b) if DPA is not assessed by peer evaluation or is not a signatory to multilateral agreements for the conformity assessment activities for which accreditation is sought.

Scope/Activity	Standard
<b>Management system certification bodies</b>	SSH ISO 17021
<b>Product certification bodies</b>	SSH ISO/IEC 17065
<b>Person certification bodies</b>	SSH ISO/IEC 17024

The DPA's decisions are based on consultations with relevant public and private sector stakeholders. CAB representatives are members of DPA's Advisory Board,<sup>179</sup> and the business community's views are solicited during ad hoc and annual meetings. Recently, the DPA has established collaborative working relations with the Tirana Chamber of Commerce and Industry as a way for soliciting continuous feedback on the business community's needs.<sup>180</sup>

However, the DPA remains awkwardly placed to deliver on its mandate. It is yet to establish MLA's in all areas, barring laboratory testing, for which it signed an EA MLA in November 2015. The Directorate is also understaffed. Only nine of its 13 staff handle accreditation, with the remainder focusing exclusively on administrative support. The staff is overstretched. Their heavy workload, coupled with the limited financial resources made available to DPA, has set the limits to their ability to handle all tasks, let alone participate in European and international accreditation activities. The staff cannot maintain regular participation in the activities organized by these bodies, so that they are unable to consolidate their expertise skills. Table 4.4 provides a number of recommendations for the Government's consideration, which will help accelerate DPA's membership in international accreditation organisations.

<sup>179</sup> According to the article 4(5) of Law 116/2014, the General Director of DPA has the responsibility and authority to make the decision on accreditation. The accreditation Board does not make decisions on accreditation.

<sup>180</sup> As per the Memorandum of Understanding that was signed between the DPA and the Tirana Chamber of Commerce in October 2015.

Table 4.4 - Outstanding needs and recommendations in the area of accreditation

Outstanding needs	Recommendations
<p><b>Allocate the required financial and human resources to support DPA's participation in European and international activities and processes</b></p>	<p>DPA should be enabled to ensure regular participation in the below activities:</p> <p><i>EA</i></p> <ul style="list-style-type: none"> <li>● Laboratory Committee</li> <li>● Inspection Committee</li> <li>● Certification Committee</li> <li>● Harmonization Committee</li> <li>● Multilateral Council</li> <li>● Communication and Publication Committee</li> <li>● General Assemblies</li> </ul> <p><i>ILAC</i></p> <ul style="list-style-type: none"> <li>● Arrangement Committee</li> <li>● Accreditation Committee</li> <li>● Laboratory Committee</li> <li>● Inspection Committee</li> <li>● General Assemblies</li> </ul> <p><i>IAF</i></p> <ul style="list-style-type: none"> <li>● Technical Committee</li> <li>● MLA Committee</li> <li>● General Assemblies</li> </ul>
<p><b>Strengthen DPA with the required expertise skills</b></p>	<ul style="list-style-type: none"> <li>● Equip DPA with the required capacities to provide accreditation services in the area of verification based on EN/ISO 14065.</li> <li>● Consolidate the institutional capacities of DPA with technical experience in all EA , ILAC MLA areas. The starting point would be to provide advanced training for staff, including coaching, on the implementation of ISO standards (SSH ISO/IEC 17065, 17020, 17021, 17024, 17025, 15189 and SSH EN 45011)</li> <li>● Provide advanced training to staff on the use of EA, ILAC and IAF reference document materials (guides).</li> <li>● Enter into twining projects with EA-MLA member accreditation bodies for gaining first-hand experience, especially the development of accreditation schemes</li> </ul>

## Conformity assessment bodies

Consistent with the EU rules, conformity assessment is carried out by the manufacturer or by a third party, which may be a manufacturer's in-house body or a designated CAB. The existing legislation sets clear procedures for guiding conformity assessment, including the eight modules stipulated under the NLF for harmonised legislation,<sup>181</sup> and the Mutual Recognition Regulation (764/2008/EC) for non-harmonized areas.<sup>182</sup>

<sup>181</sup> Law No. 10489 "On trade and market surveillance for non-food products"

<sup>182</sup> Law No. 10480 of 17 November 2011 "On general safety on non-food products"

The main drawback, noted the officials, are the numerous technical regulations that provide for involving the Ministries in conformity assessment schemes, which contradict with the EU regulations and WTO rules. The lack of coordination among the State agencies involved is another drawback. Even as the different agencies participate in the Technical Committees for Standardization, the intensive and quick pace of legislative harmonization has meant that each agency focuses more on implementing those directives and decisions related to its activities. Coupled with the lack of expertise skills and recurrent Governmental restructuring, coordination has become particularly difficult. The lack of coordination is reflected in the absence of a conclusive list of CABs operating in Albania. Each agency maintains its own list of CABs



operating under its responsibility, and published lists are not always up to date.

Annex 2 provides a list of CABs, as established during the field work. These include (i) certification bodies involved in product certification, management system and personal certification; (ii) testing laboratories that cater for the following five sectors environment, construction materials, food, fuels, textile and leather; and (iii) inspection bodies.

The number of certification bodies remains small, thereby setting the limits to the workings of competitive dynamics, in terms of service differentiation and pricing (Annex 2, Table A2.2). Moreover, officials drew attention that the majority of certification bodies remain incapable of ensuring proper implementation of the accreditation standard S SH ISO/IEC 17025:2006, which, having been transposed following the cover-sheet method, remain inaccessible to staff operating these laboratories.

Testing laboratories could also benefit from targeted capacity-building efforts. Officials noted that the majority of the accredited laboratories use obsolete or inaccurately calibrated equipment. In the case of testing laboratories for non-food products, existing laboratories leave strategic sectors unattended such

as heavy metals, including in air and water (Annex 2, Table A2.3).

Similarly, food safety, animal health and plant protection testing laboratories remain ill-equipped to deliver on their mandates. These consist of 9 testing laboratories for food/feed safety; plant protection; and, animal health and welfare<sup>183</sup> along with a network of 22 testing laboratories for animal health, food quality, foodstuff residues and plant protection under FSVI; all of which are supported by the FSVI reference laboratory (Annex 2, Table A2.4).

Only a handful of NFA and FSVI laboratories implement quality management systems, and work is undermined by the lack of modern equipment and the occasional shortages of chemical reagents. Conditions in FSVI laboratories, in terms of temperature, humidity and power supply are not conducive to accurate laboratory results. Nine of FSVI laboratories remain unaccredited, and the laboratories lack the required infrastructure for testing additives in food products; whole range of pesticide in fruits and vegetables; veterinary drugs (such as hormones); and, the whole range of toxicology studies as established by law (Box 4.4).

#### Box 4.4 Capacity shortfalls within FSVI laboratories

- Facilities for testing additives in food and mycotoxine in feed are non-existent
- Facilities for testing food microbiological criteria and feed microbiological criteria are non-existent.
- Lack of infrastructure to maintain environmental/climate conditions in laboratories (within the range 18-27 C degree)
- Lack of equipment (refrigerators, freezers) to manage large quantity of samples, as well as Certified Reference Materials according to ISO 7218:2007/Amd 1:2013
- Lack of laboratory equipment (water activity meter, pH meter) to perform Enumeration of *Listeria monocytogenes* according to EC 2073: 2005
- Lack of Incubator to perform microbiological pathogens (*Campylobacter*, *B. cereus* and *E.coli* O157:H7)
- Lack of automatic Somatic cell Count (SCC) equipment to handle large raw milk samples.
- Lack of facilities to support cleaning of glassware and decontamination.
- Lack of test kits, reagents and certified reference materials.

The laboratories are, therefore, unable to cater to demand for microbiological testing (Table 4.5). The above mentioned shortfalls have meant that accreditation certificates issued by DPA are not recognized internationally, and as shown below, the metrology system is incapable of providing proper calibration of measuring instruments. Such services have to be

sought from internationally recognized calibration laboratories. Training is also sought from testing laboratories and specialized institutions abroad. Under such conditions, the NFA and FSVI are unable to have full control over their development plans; the implementation of which depends on the availability of donor assistance.

<sup>183</sup> NFA laboratories are located in Diber, Elbasan, Durres, Fier, Gjirokaster, Korce, Shkoder, Tirana and Vlore (Sarande).

Table 4.5- FSVI laboratories' priority needs in the area of microbiological

Legislation EU/National	Criteria	Method	Capacity shortfalls
<b>2073/2005</b>	L.monocytogenes-ENU	ISO 11290-2: 1998/ FDAM1: 2004	Aw meter (1 pc); pH-meter (1 pc); incubator 20 C degrees; biochemical test capacity
<b>2073/2005</b>	Presumptive B. Cereus-ENU	ISO 7932:2004	Training for the staff; Standards; Reagents; and Consumables
<b>209/2013</b>	Shiga toxin producing E.coli (STEC) O157,O26,O111,O103 and O104:H4	ISO/TS 13136:2012	Trans illuminator and gel electrophoresis; Training for the staff; Standards; Primers and Probes, Extraction Kits, and consumables
<b>International Standard</b>	Clostridium perfringens-ENU	ISO 7937:2004	Incubator; CRM and kits; and biochemical test capacity.
<b>International Standard</b>	Campylobacter spp	ISO 10272-1:2006	CO2 incubator (1 pc); Standards; Reagents; and Consumables
<b>National legal base</b>	Somatic Cell Count and Aerobic Plate Count	Automatic standardised method	Automatic SCC and APC equipment; Reagents; and Consumables

As regards inspection bodies, these only attend to pressure vessels and vehicles for transporting flammable liquid and the transportable pressure equipment.<sup>184</sup> The need to further develop the inspection

function is obvious. Table 4.6 provides a number of recommendations for the Government's consideration.

Table 4.6-Outstanding needs and recommendations for developing the Albanian CABs

Outstanding needs	Recommendations
<b>General</b>	<ul style="list-style-type: none"> <li>● Establish a single centralized inventory of CABs.</li> <li>● Assist testing laboratories implement ISO 17025.</li> <li>● Establish testing laboratories for heavy metals, including in air and water</li> </ul>

<sup>184</sup> These include 10 inspection laboratories: 8 laboratories for pressure vessels (1 in Shkodër , 2 in Fier, 3 in Tirana and 2 in Elbasan); 1 laboratory vehicles for transporting flammable liquid (Tirana) and 1 laboratory for transportable pressure equipment (Tirana). Further information is available at DPA database ([www.dpa.gov.al](http://www.dpa.gov.al))

Outstanding needs	Recommendations
<p><b>Consolidate FSVI laboratories with the required expertise skills and equipment</b></p>	<ul style="list-style-type: none"> <li>● Training on the implementation of EU Regulation No. 2073/2005 “regards microbiological criteria for sprouts and the sampling rules for poultry carcasses and fresh poultry meat” (and subsequent amendments as established under EU Regulation 209/2013)</li> <li>● Training on the implementation of the below ISO standards: <ul style="list-style-type: none"> <li>– ISO 7932:2004 “Microbiology of food and animal feeding stuffs”</li> <li>– ISO/TS 13136:2012 “Microbiology of food and animal feed”</li> <li>– ISO 11290-2:1998 “Microbiology of food and animal feed - Real-time polymerase chain reaction (PCR)-based method for the detection of food-borne pathogens -- Horizontal method for the detection of Shiga toxin-producing Escherichia coli (STEC) and the determination of O157, O111, O26, O103 and O145 serogroups”</li> <li>– ISO 10272-1:2006 “Microbiology of food and animal feeding stuffs -- Horizontal method for detection and enumeration of Campylobacter spp. -- Part 1: Detection method”</li> </ul> </li> <li>● As the Government proceeds to address capacity needs in the area of food testing listed in table 4.5, priority should also be given to address the following capacity needs: <ul style="list-style-type: none"> <li>– Serology testing laboratories: training on the diagnosis of Brucellosis with RB strain, enzyme-linked immunosorbent assay (ELISA) and serum tube agglutination test (SAT); equipment: digital thermometer, water bath, ELISA reader and plate shakers.</li> <li>– Testing for salmonellosis in poultry: training of staff; accreditation of the methods used; equipment (Bio Safety Cabinet, centrifuge, incubator).</li> <li>– Animal Viral Disease testing: training on new methods of diagnosis of Animal Viral Disease and equipment (e.g., inverted microscope and centrifuge with cooling).</li> <li>– Avian Influenza and Newcastle Disease testing: advanced training is needed for staff.</li> <li>– Cell Culture testing: training on Cytology and equipment (magnetic stirrer, refrigerate and water bath).</li> <li>– Histopathology testing: training and equipment (Cryostat and a digital microscope with camera).</li> <li>– Bovine Spongiform Encephalopathy (BSE) testing: training for the diagnosis of Bovine Spongiform Encephalopathy disease.</li> <li>– Food borne parasites testing: training and equipment for the detection of Anisakis in fish and aquaculture products as well as for detection of the Trichinelosis in pigs.</li> <li>– Training on fish disease diagnosis and equipment for the Ciguatoxin testing, including: automatic Kjeldahl, centrifuge, safety box, ultra-turax, SPE-Baker Manifolder and Micropipettes and consumables.</li> <li>– Training on the Flotation methods used for different parasites detection. Basic equipment is also needed.</li> <li>– Training on the mycology diagnosis; validate and accredit testing methods used; and equipment, including: Bio Safety Cabinet, weight, binocular microscope, centrifuge, incubator, MC master slides, Berman apparatus, magnetic stirrer, different bakers (2L, 3L).</li> </ul> </li> <li>● Fulfil requirements for membership in International Seed Testing Association( ISTA), which will enable national laboratories to issue ISTA International Seed Analysis Certificate Fulfil requirements for membership in International Seed Testing Association( ISTA), which will enable national laboratories to issue ISTA International Seed Analysis Certificate</li> </ul>

## Market surveillance

The legislative basis for market surveillance is provided under the provisions of law No. 9902 “On consumer protection”; Law No. 9863 “On food”; Law No. 10489 “On trade and market surveillance for non-food products”; Law No. 10480 “On general safety on non-food products”; Law No. 9875 dated 14 February 2008 “On metrology”; and, Law No.10433 “On Inspection”.<sup>185</sup>

The laws are fully aligned with the EU legislative requirements, and decisions on market surveillance are made following consultations with the private sector within the context of the Coordination Council for Consumer Protection. However, institution-building efforts, are lagging behind. Thus far, efforts have mainly focused on consolidating the institutional structures for carrying out market surveillance activities related to food, livestock and plant products and metrology. These are carried out by NFA and FSVI, based on annual plans that draw on the results of onsite and post market controls registered in AKUnet and customers’ feedback obtained through the NFA’s website and free of charge hotline. Similarly, market surveillance activities in the field of metrology are concentrated with DPM, which has been recently empowered with an expanded mandate.<sup>186</sup> DPM will not perform any inspection functions, once the Market Surveillance Inspectorate becomes operational.

In contrast, market surveillance for non-food products remain fragmented across line ministries. Before 2015, these operated in the absence of an overarching coordination body, Inspectorate for Market Surveillance, as stipulated in the law “On Consumer

Protection” and subsequent amendments.<sup>187</sup> The Inspectorate was created in January 2016 pursuant to CoM Decision No. 36 of 20 January 2016 to complete the institutional structure for market surveillance, which comprises State agencies, the judiciary and consumer protection associations with MEDTTE acting as the lead agency (Box 4.5 and Annex 2, table A2.6). MEDTTE is responsible for the preparation of general policy on market surveillance for supporting the implementation of the law on trade and market surveillance for non-food products, and for overall coordination with ministries involved in implementing the law on market surveillance.

### Box 4.5 Albania’s market surveillance structure

- MEDTTE
- Inspectorate Responsible for Market Surveillance under MEDTTE
- Consumer protection Unit under MEDTTE
- DPM
- National Agency of Drugs and Medical Devices under the Ministry of Health
- NFA under MARDWR
- Food safety and Veterinary Service Institute under MARDWR
- Customs
- Coordination Council for Consumer Protection
- Consumer Protection Commission
- The judiciary and Ombudsman
- Consumer Associations

The Council of Ministers is yet to approve the proposed national strategy on consumer protection and market surveillance for the period 2014-2020.<sup>188</sup> The strategy sets forward a coherent approach, whereby the development of the SQAM system is emphasized as a prerequisite for an efficient market surveillance function. In so doing, the strategy makes the case for intensifying capacity-building efforts in all SQAM areas.

The strategy also highlights the urgent need for establishing a national database of non-food products to support the much needed: information exchange between the different agencies concerning the implementation of the different legislation; the establishing

<sup>185</sup> See also subsequent amendments: Law No. 17/2013 “Some changes to Law No. 10489”; Law No. 16/2013 “For some changes and additions to Law No. 10480”; and, Law No. 100/2015 “On some amendments and additions to the law No. 9875”; Law No. 10444 of 14 July 2011 “Some amendments on consumer protection law”; and, law No. 15/2013 “On some additions and amendments to Law no. 9902 dated 17.4.2008 On consumer protection, as amended”.

<sup>186</sup> See Law No. 14/2013. The law renamed the “General Directorate of Metrology” with “Inspectorate covering the field of metrology”. The law separated metrological inspection from the competences of DPM, providing for the exercise of inspection functions by a separate body, i.e. the inspectorate covering the field of metrology. Although the metrological inspection is still performed by the relevant unit within DPM, such task will be performed by the Market Surveillance Inspectorate, upon starting of its work

<sup>187</sup> Law No.9902 “On Consumer protection”, Article 51.

<sup>188</sup> The strategy was prepared by MEDTTE in collaboration with a technical working group that consisted of representatives from MARDWR, MEI, Ministry of Health, Ministry of European Integration, Ministry of Transport and Infrastructure, State Minister for Public Administration and Innovation DPM, DPS and DPA

an alert system for dangerous non-food products; and, the implementation of the recently adopted risk classification and assessment methodology. Indeed, establishing such a system is all the more important for participating in the EU wide systems (i.e., RAPEX, ICSMS, EMARS and SCG) once Albania obtains membership.

The next step would be to complement the strategy with a risk assessment methodology; policy statement on the principles underpinning market surveillance activities; and internal guidelines on the scope of interagency coordination and procedures for facilitating such coordination. Other complementary measures include establishing food traceability systems as a way for consolidating reliable information on production and business processes throughout the supply chain and, thereof, enabling agencies to quickly identify the source of the problem in the event of a food safety incident. As such systems are product focused and complex to develop, the Government may consider focusing on priority products with high export potential. There is also the urgent need to consolidate the inspection function within NFA, line ministries and DPM. All of the interviewed officials complained about the lack of adequate training for inspectors (a point repeated by the Chamber of Commerce and Industry), owing to lack of funds and staff turnover.

The assessment also suggests that market surveillance activities should be supported by concerted efforts to help enterprises, especially SMEs, develop their technological capability. As shown in chapter 2, enterprises, particularly SMEs, are awkwardly placed to compete in the domestic market or meet the requirements of the EU directives. They lack the know-how and financial resources to invest in new equipment and production lines, and the majority lamented experiencing difficulties in accessing credit lines offered by commercial banks.

The enterprises' weak productive capacity was also highlighted by officials, who argued that traders should implement quality management systems, and meet EU requirements for sorting, packaging, and labelling. For food producers, officials noted that only a limited segment has managed to introduce safety management systems throughout the supply chain (at farm level, slaughterhouses, factories and processing plants), based on the Hazard Analysis

and Critical Control Points (HACCP)<sup>189</sup> and the Good Manufacturing Practices (GMP) principles.<sup>190</sup> Market support institutions added that the food production industry could benefit from the establishment of more "collection points" for washing, sorting, grading, packing and labelling. These vital collection points are not available in all regions.

The above has also meant that enterprises cannot comply with the EU rules of origin. Officials highlighted experiencing difficulties in complying with the diagonal cumulation, which is applied between Albania and EU as per the SAA.<sup>191</sup> The rules state that where more than two countries are involved in the manufacturing process, the product could have the origin of the country where the last working or processing operation took place, provided that it was more than a minimal operation. This is difficult to establish for Albanian enterprises, especially those engaged in manufacturing electric products. Table 4.7 provides a number of recommendations for the Government's consideration.

<sup>189</sup> The HACCP system addresses food safety through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

<sup>190</sup> Good Manufacturing Practices are those required to conform to guidelines recommended by agencies that control the authorisation and licensing for the manufacture and sale of food, drug products, and active pharmaceutical products. The guidelines provide minimum requirements that a manufacturer must meet to ensure that the products are of high quality and do not pose any risk to the consumer or to the public.

<sup>191</sup> Albania joined the Regional Convention on pan-Euro-Mediterranean preferential rules of origin, commonly referred to as pan-European diagonal cumulation of origin, in 2011. The Convention entered into force to operate between the EU and Albania on 1 May 2012. Further details are available at: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22015D0821#ntr1-L\\_2015129EN.01005202-E0001](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A22015D0821#ntr1-L_2015129EN.01005202-E0001) The Union and Albania signed the Convention on 15 June 2011 and 27 June 2011 respectively.

Table 4.7- Outstanding needs and recommendations for market surveillance

Outstanding needs	Recommendations
<b>Establish an enforcement policy document for guiding the work of the newly established Inspectorate<sup>192</sup> for Market Surveillance</b>	<ul style="list-style-type: none"> <li>● The document should spell out the principles inspectors should apply when determining what enforcement action to take in response to breaches of health and safety legislation. Such principles should emphasize abandoning direct market interference measures in favour of controlling competition infringements, general product safety, and information given to the consumers; move beyond the prevailing singular focus on the inspection function to addressing the all-important guidance function that enterprises need to ensure adherence to mandatory safety requirements; ensure that enforcement action is be proportional to the health and safety risks and the seriousness of the breach.</li> </ul>
<b>Establish internal procedures for guiding the Inspectorate's work</b>	<p>Such procedures should provide guidelines for, among others:</p> <ul style="list-style-type: none"> <li>● Following up on complaints or reports on issues relating to risks arising in connection with products that are the subject of a technical regulation</li> <li>● Monitoring accidents and harm to health which are suspected to have been caused by those products</li> <li>● Verifying that corrective actions have been taken</li> <li>● Ensuring the consistency surveillance activities and avoid duplication of sanctions in cases where there is more than one regulator involved.</li> <li>● Ensuring 100 percent recall of products that are found to pose risks to consumer safety, animal health and the environment</li> <li>● Maintaining registers of enforced health and safety enforcement notices</li> </ul>
<b>Establish procedures for supporting the Inspectorate's collaboration with other agencies</b>	<p>Such procedures should spell out the scope of interagency cooperation, and provide guidelines for enforcement. Key areas include, among others:</p> <ul style="list-style-type: none"> <li>● Application of risk assessment procedures.</li> <li>● Sharing of checklists and instructions.</li> <li>● Selection of products that fall into the domain of several agencies and organization of joint actions in testing and analysing these products</li> <li>● Selection of testing laboratories</li> <li>● Sampling of products and the procedures for sharing and discussing the results and findings</li> <li>● Exchange of information on unsafe products (product identification data) found on the markets.</li> <li>● Exchange the information on the measures taken and follow up actions</li> <li>● Application of joint actions for products imported from third countries</li> </ul>
<b>Consolidate the inspection capacity of NFA and line ministries</b>	<ul style="list-style-type: none"> <li>● Establish a management manual to help inspectors make decisions in line with enforcement policy.</li> <li>● Expand the pool of trained onsite and post market inspectors in NFA and line ministries. The inspectors should be trained on risk analysis, law enforcement, risk communication and consumer awareness as well as on the implementation of the manual</li> <li>● Assist the NFA in designing the criteria and methodologies necessary for informing its Scientific Committee's decisions on risk assessment and market surveillance</li> </ul>

<sup>192</sup> MEDTTE has approved two documents guiding the work of the Inspectorate: Instruction No. 177, dated 26.12.2013 "On methods of risk classification and serious risk assessment" and Order No. 305, dated 30.05.2014 "On standard operational procedures for the activity of market surveillance, obligatory for all market surveillance structures".



Outstanding needs	Recommendations
<b>Create the required systems for supporting the market surveillance function</b>	<ul style="list-style-type: none"> <li>● Establish a national database of non-food products to support market surveillance</li> <li>● Create mechanisms to allow for sharing information generated from AKUnet among all market surveillance agencies.<sup>193</sup></li> <li>● Establish traceability systems for priority products. Product selection should be based on a cost-benefit analysis of the required institutional arrangements, hardware and software requirements, costs of operation and roles of the public and private sectors.</li> </ul>
<b>Assist enterprises in complying with EU requirements</b>	<ul style="list-style-type: none"> <li>● Assist manufacturing enterprises in adopting internationally recognized standards, starting with ISO 9001:2000 and ISO 14001:2004.</li> <li>● Increase the SMEs access to external sources of finance (e.g., credit guarantee systems, structured finance for farmers and food producers, etc.)</li> <li>● Help food producers introduce safety management systems based on HACCP and GMP principles.</li> <li>● Establish collection points for agricultural produce in key regions, including Elbasan, Vlore and Fier.</li> </ul>

## 4.6 Metrology

As previously mentioned, metrology falls under the responsibility of DPM. DPM carries out scientific and industrial metrology, legal metrology and verification activities guided by a multi-year strategy. It operates nine national standard-holder laboratories for chemistry; mass, volume and flow; force; pressure; temperature; electricity; length and humidity, which offer calibration services to producers, market surveillance and standard development (Annex 2, Table A2.7). The past few years have seen the consolidation of DPM's institutional capacity with the establishment of:

- An EU-compliant National Metrology Laboratory for the realisation and maintenance of national measurement standards;
- A network of national reference measurements standards;
- A separate centre (National Metrology Centre) to enable staff to participate in international comparisons; and,
- A Quality System Management Unit to implement ISO/IEC 17025:2005.

However, DPM's laboratories are not accredited. In 2016, DPA was in the process of accrediting four (out of DPM's eight laboratories), including the mass, force, pressure and volume laboratories. Otherwise, the majority of the laboratories are in need of modern equipment and advanced training, rendering it difficult to operate according to ISO/IEC 17025 standard. The laboratories are unable to demonstrate

traceability of measurement standards (etalons) to international SI units. This also applies to the mass laboratory, which have actively participated in the CIPM MRA and obtained international recognition of its calibration and measurement capacities (CMCs). These have been peer reviewed and are listed in the Key Comparison Database of the International Bureau of Weights and Measures.<sup>193</sup>

DPM laboratories can only demonstrate traceability to national standards which are not primary. It is, therefore, actively seeking to ensure that measurements are traceable to the international system of units, the SI, via primary standards in other countries. By 2016, DPM has calibrated (through comparison) the measurement standards for volume, pressure and dimension with Austria, Czech Republic, Germany, Greece, Slovenia and Turkey.

Officials drew attention that the majority of measurement standards remain outdated, owing to budgetary constraints and the absence of specialized calibration service providers,<sup>194</sup> so that most of the laboratories are unable to issue calibration certificates.

<sup>193</sup> The DPM signed the International Committee for Weights and Measures (Comité International des Poids et Mesures, CIPM) Mutual Recognition Agreement in the field of mass on 10 October 2007.

<sup>194</sup> DPM has consistently relied on donor support to calibrate national measurement standards. In 2016, DPM was using its own resources. However, its efforts to find a national provider of calibration and compliance services were met with failure.



Legal metrology is still an evolving field. DPM has annual plans for guiding post market metrological surveillance of equipment subject to mandatory control.<sup>195</sup> DPM also conducts unplanned controls at the request of MEDTTE, and the inspections seek to establish that measuring equipment is type approved and that the verification intervals are kept. A proper system for the control of pre-packaged goods is also in place, covering goods registered with DPM. However, DPM can only control the quantity (and not quality) for locally produced pre-packaged goods, in addition to on market placement and distribution of imported goods.

Table 4.8 provides a number of recommendations for improving scientific/industrial metrology. As the Government forges ahead in considering these recommendations, especially those pertaining to the proposed domains of measurement highlighted by the different stakeholders, attention should be given to the industry's needs. Such needs should be assessed at the sectoral levels, with an eye to the different sectors' stage of development and export potential. Of equal importance is to develop legal metrology services.

**Table 4.8 - Outstanding needs and recommendations for developing the metrology system**

Outstanding needs	Recommendations
<b>Improve the control function for pre-packaged goods</b>	<ul style="list-style-type: none"> <li>● DPM should be provided with equipment and training to conduct quality control of locally produced pre-packaged goods.</li> </ul>
<b>Strengthen existing laboratories with the necessary requirements to obtain international recognition</b>	<ul style="list-style-type: none"> <li>● The laboratories should be equipped with the required equipment and expertise skills (See Annex 2, Table A2.8)</li> <li>● Assess the feasibility of establishing laboratories in the fields of time and frequency, torque, hardness, acoustics, ultrasound, ionizing radiation, photometry and radiometry</li> <li>● Implemented quality management system according to international requirements (ISO/IEC 17025) for all the calibration laboratories in all fields covered by DPM</li> <li>● Provide the required funding and assistance for:               <ul style="list-style-type: none"> <li>– Development and maintenance of the measurement standards.</li> <li>– Training of staff on general metrology issues and laboratory.</li> <li>– Participation in inter-laboratory comparisons</li> <li>– Participation in the activities of regional bodies and the CIPM MRA</li> <li>– Ensuring appropriate environmental and climate conditions for measurement standards (e.g. UPS, fuel for generator and AVR system),</li> <li>– Introduction of modern management information systems</li> <li>– Development and Implementation of calibration / verification procedures</li> </ul> </li> </ul>

<sup>195</sup> Mandatory control covers: length measures and measuring instruments; volume measures; volume metering instruments for liquids other than water, such as Petroleum (fuel dispensers) and liquefied petroleum gas; electricity meters; water meters for cold water; weights in trade use; non-automatic weighing instruments; rail-weighbridges; road axle weighs; taxi meters; tire pressure gauges for motor vehicles; measuring systems on road tankers; temperature measuring instruments; and, breath analysers.



# Chapter Five

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## Conclusion

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This study identified behind and at-the-border regulatory and procedural barriers to trade in Albania using the UNECE evaluation methodology. It showed that these barriers are mainly due to the lack of institutional capacity to implement the intensive legislative reforms associated with fulfilling the EU Acquis requirements. The impact of these shortfalls are aggravated by the debilitating financial constraints that the government is labouring under, and the recurrent government restructuring initiatives that undermine the sustainability of reform achievements. The weak rule of law is yet other factor, which creates a high degree of business uncertainty and gives rise to informal payments.

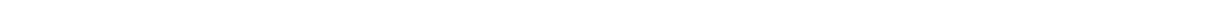
The study also shows that enterprises, especially SMEs, are operating in the absence of adequate market support services, so that they are awkwardly placed to reap the expected benefits from reforms. The surveyed SMEs exhibited a preoccupation with satisfying local demand. Export-oriented enterprises, which constituted a limited segment, were mainly engaged in re-export activities and were struggling with dwindling demand from traditional markets. The enterprises' efforts to venture into new markets are also defeated by the identified barriers which, by inflating transaction costs, create a disincentive to new investments and, thereof, accentuate an inward-looking perspective.

Thus as the government forges ahead in implementing reforms, it should place more emphasis on adapting measures to local capacities, both in terms of substance and sequencing, and not the other way round. Priority should be given to building the required institutions for successful implementation and to helping enterprises improve their productive capacity based on broad public-private sector consultations.

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# Annexes





# **SEETO comprehensive/core Network**





**Map A1.1 SEETO Comprehensive/Core Network (Airports)**



Source: SEETO Secretariat

### Map A1.2 SEETO Comprehensive/Core Network (Airports)



Source: SEETO Secretariat

Map A1.3 SEETO Comprehensive/Core Network (Airports)



Source: SEETO Secretariat

# SQAM institutions

**Table A2.1 - Technical standard-setting committees as at 2015**

No.	Name	Status
1	Aggregates, natural stone	Active
2	Acoustics	Active
3	Packaging	Active
4	Food analysis	Active
5	Concrete and related products. Precast concrete products	Active
6	Biocompatibility of medical and dental materials and devices	Active
7	Biotechnology and Microbiology	Active
8	Threaded and non-threaded mechanical fasteners and accessories	Active
9	Water, air and soil quality	Active
10	Cement and building limes Gypsum and gypsum based product	Active
11	Documentation and information	Active
12	Structural Euro codes	Active
13	Flexible sheets for waterproofing	Active
14	Rubber and plastic products	Active
15	Transportable gas cylinders and Shell and water-tube boilers	Active
16	Footwear and leather	Active
17	Chemistry	Active
18	Pulp, paper and board	Active
19	Bituminous binders	Active
20	Tractors and machinery for agriculture and forestry	Active
21	Electrical and electronic material	Active
22	Resilient, textile and laminate floor coverings	Active
23	Metals and their alloys	Active
24	Metrology and measurements	Active
25	Furniture, office and house equipment	Active
26	Lighting columns and other related devices	Active
27	Electrical and electronic devices	Active
28	Personal safety	Active
29	Medical devices utilizing tissues	Active
30	Non-active medical devices	Active
31	Respiratory and anaesthetic equipment	Active
32	Sports, playground and other recreational equipment	Active
33	Liquefied petroleum gas equipment and accessories	Active
34	Pigments and extenders	Active

No.	Name	Status
35	Plastics	Active
36	Petroleum products, gas, coals, lubricants and related products	Active
37	Non-destructive testing	Active
38	Glass	Active
39	Ceramic in building Advanced Ceramics Refractory products and materials Thermal insularity	Active
40	Milk, meet and their products	Active
41	Safety of toys	Active
42	Safety of machinery and fire safety	Active
43	Quality assurance and social responsibility	Active
44	In vitro diagnostic medical devices	Active
45	Information systems	Active
46	Dentistry	Active
47	Textiles and textile products	Active
48	Terminology, Quantities and units	Active
49	Transport, logistics and services	Active
50	Round and sawn timber	Active
51	Pipes, flanges and their joints	Active
52	Oils and vegetable fats Oilseeds	Active
53	Railway applications	Active
54	Execution of special geotechnical works	Active
55	Technical safety and environment	Active
56	Semiconductor materials and devices Electromechanical components and mechanical structures for electronic equipment	Active
57	Measuring equipment Testing techniques	Active
58	Explosive atmospheres - Explosion protection and prevention	Active
59	Information and communication technology	Active
60	Fresh fruit and vegetables	Active
61	Analogue and digital telecommunication systems	Active
62	Surface active agents	Dormant
63	Farming, agriculture and plants	Dormant
64	Soil quality	Dormant
65	Tobacco and tobacco products	Dormant
66	Doors, windows, shutters, building hardware and curtain walling	Dormant
67	Fruits, vegetables and their products	Dormant
68	Cosmetics and pharmaceuticals	Dormant
69	Mines and minerals	Dormant
70	Road vehicles	Dormant
71	Equipment and machinery	Dormant

No.	Name	Status
72	Control and monitoring electronic devices	Dormant
73	Graphic technology	Dormant
74	Animals food	Dormant
75	Electrical equipment and low voltage high	Dormant

Source: DPS

**Table A2.2 List of certification bodies for products, services and systems**

Certification body	Fields	Legal status	Accredited (Yes/No)
<b>AQScert</b>	<ul style="list-style-type: none"> <li>– Quality Management Systems EN ISO 9001</li> <li>– Environmental Management Systems ISO 14001</li> <li>– Management Systems for Safety and Health at Work OHSAS 18001</li> <li>– Quality Management System for Medical Devices ISO 13485</li> <li>– Information technology — Service management — Part 1: Service management system requirement ISO/IEC 20000-1</li> <li>– Information security management ISO 27001</li> </ul>	Private	Yes
<b>EQSC</b>	<ul style="list-style-type: none"> <li>– ISO 9001</li> <li>– ISO 14001</li> <li>– OHSAS 18001</li> </ul>	Private	Yes
<b>EMCO</b>	<ul style="list-style-type: none"> <li>– ISO/IEC 17024</li> </ul>	Private	Yes
<b>Albquality</b>	<ul style="list-style-type: none"> <li>– FSMS</li> </ul>	Private	Applicant
<b>TUV Austria</b>	<ul style="list-style-type: none"> <li>– ISO 9001</li> <li>– ISO 14001</li> <li>– ISO 22000</li> <li>– OHSAS18001</li> <li>– ISO 22301</li> <li>– ISO 50001</li> <li>– ISO 27001</li> </ul>	Private	Yes by the Greek National Accreditation Body (ESYD)
<b>Construction institute</b>	<ul style="list-style-type: none"> <li>– Product certification</li> </ul>	Partly state	Applicant
<b>Albinspect</b>	<ul style="list-style-type: none"> <li>– Bio product certification</li> </ul>	Private	ESYD
<b>RINA ALBANIA SHPK</b>	<ul style="list-style-type: none"> <li>– ISO 9001</li> <li>– ISO 14001</li> <li>– OHSAS 18001</li> <li>– ISO 27001</li> </ul>	Private	Accredited by Accredia
<b>CDQ Albania</b>	<ul style="list-style-type: none"> <li>– ISO 9001</li> <li>– ISO 14001</li> </ul>	Private	(ESYD)

Source: DPA

**Table A2.3 Testing laboratories-non food**

Testing lab	Specialization	Location	Privately-owned/state-owned	Accredited	Need for modernization
<b>National Environmental Agency</b>	Testing of natural water	Tirana	State	Yes	Yes
<b>Central technical inspectorate</b>	Fuels	Tirana	State	Yes	Yes
<b>Eko-studio project</b>	Environmental	Tirana	State	Yes	Yes
<b>Textile laboratory-University of Tirana</b>	Textile	Tirana	State	Yes	Yes
<b>Nord Comat</b>	Construction materials	Tirana	Private	Yes	Yes
<b>ALTEA GEOSTUDIO 2000</b>	Construction materials	Tirana	Private	Yes	Yes
<b>HTT</b>	Metrological Verification	Tirana	Private	Yes	Yes
<b>Sarp&amp;Lab</b>	Construction materials	Durres	Private	Yes	Yes
<b>A-consultant</b>	Environmental	Tirana	Private	Yes	Yes
<b>ITM</b>	Construction materials	Tirana	Private	Yes	Yes
<b>Albkontroll</b>	Minerals	Durres	Partly state	Yes	Yes
<b>GR-Albania</b>	Environmental	Tirana	Private	Yes	Yes
<b>Albanian Geological Service</b>	Natural water	Tirana	State	Yes	Yes
<b>ELBA</b>	Construction materials	Tirana	Private	Yes	Yes
<b>Agro-environmental laboratory. Agriculture University</b>	Soil	Tirana	State	Yes	Yes
<b>SGAILAB</b>	Construction materials	Tirana	Private	Yes	Yes
<b>ALbconsult-2</b>	Construction materials	Tirana	Private	Yes	Yes
<b>Hygeia Hospital</b>	Medical	Tirana	Private	Yes	Yes



Table A2.4 -Testing laboratories under FSVI<sup>197</sup>

Testing lab	Specialization	Privately-owned/state-owned	Accreditation	Need for modernization
<b>Food safety and veterinary institute</b>	Mollusc	State	Yes, ISO/IEC 17025:2005	Yes
<b>Laboratory of Fishery Product</b>	Food Microbiology	State owned	Yes, ISO/IEC 17025:2005	Yes
<b>Laboratory of Meat Product</b>	Food Microbiology	State owned	Yes, ISO/IEC 17025:2005	Yes
<b>Laboratory of Meat Product</b>	Food Microbiology	State owned	Yes, ISO/IEC 17025:2005	Yes
<b>Laboratory of Serology</b>	Serology	State owned	No	Yes
<b>Laboratory of Bacteriology</b>	Microbiology	State owned	No	Yes
<b>Laboratory of Animal Viral Diseases</b>	Virology	State owned	No	Yes
<b>Laboratory of Avian Viral Diseases</b>	Virology	State owned	No	Yes
<b>Laboratory Cell Culture</b>	Virology	State owned	No	Yes
<b>Laboratory of Histopathology</b>	Virology	State owned	No	Yes
<b>Laboratory BSE</b>	Virology	State owned	No	Yes
<b>Laboratory of Rabies</b>	Virology	State owned	No	Yes
<b>Laboratory of Parasites, Fish Disease and Mycology.</b>	Microbiology, Parasitology	State owned	No	Yes
<b>Biotoxins</b>	Chemistry Aquaculture	State owned	Yes	Yes
<b>Histamine</b>	Chemistry Fishery products	State owned	Yes	Yes
<b>TVB-N</b>	Chemistry Fishery products	State owned	No	Yes
<b>Phytoplankton</b>	Biology Aquaculture	State owned	Yes	Yes
<b>PAHs</b>	Chemistry Aquaculture	State owned	No	Yes
<b>Laboratory of pesticides residues in animal products</b>	Chemistry	State	No	Yes
<b>Laboratory of heavy metals</b>	Chemistry	State	No	Yes
<b>Laboratory of Residues of Medicinal Products</b>	Chemistry	State	No	Yes
<b>Laboratory of pesticides residues in fruit and vegetables</b>	Chemistry	State	No	Yes
<b>Laboratory of Food Quality</b>	Chemistry	State	No	Yes

Source: NFA

<sup>197</sup> All of the laboratories are located in the capital city of Tirana. Operating besides the NFA and FSVI laboratories, is Miell Tirana, partly State-owned laboratory, for testing flour and grain, which is accredited by DPA and is also in need for modernization

**Table A2.5 FSVI laboratories priority needs for meeting EU requirements**

Legislation EU/National	Criteria	Method	Capacity needs
<b>2073/2005</b>	L.monocytogenes-ENU	ISO 11290-2: 1998/ FDAM1: 2004	Aw meter (1 pc); pH-meter (1 pc); incubator 20 C degrees; biochemical test capacity
<b>2073/2005</b>	Presumptive B. Cereus-ENU	ISO 7932:2004	Training for the staff; Standards; Reagents; and Consumables
<b>209/2013</b>	Shiga toxin producing E.coli (STEC) O157,O26,O111,O103 and O104:H4	ISO/TS 13136:2012	Trans illuminator and gel electrophoresis; Training for the staff; Standards; Primers and Probes, Extraction Kits, and consumables
<b>International Standard</b>	Clostridium perfringens-ENU	ISO 7937:2004	Incubator; CRM and kits; and biochemical test capacity.
<b>International Standard</b>	Campylobacter spp	ISO 10272-1:2006	CO2 incubator (1 pc); Standards; Reagents; and Consumables
<b>National legal base</b>	Somatic Cell Count and Aerobic Plate Count	Automatic standard-ised method	Automatic SCC and APC equipment; Reagents; and Consumables

Source: NFA

**Table A2.6 Albania's market surveillance structure**

Institutions	Responsibilities
<b>MEDTTE</b>	<ul style="list-style-type: none"> <li>● Submit proposals for the design and development of policies for market surveillance;</li> <li>● The preparation and analysis of legal measures for market surveillance;</li> <li>● Coordination measures with the structure responsible for the implementation of strategic documents in the field of market surveillance;</li> <li>● Collection and exchange of information with the Ministry for unsafe or potentially unsafe products by line ministries and their relevant dependent structures and the establishment of information network on dangerous products / consumer products;</li> <li>● Periodic assessment of market surveillance activities;</li> <li>● Establishment, periodical updating and implementation of sectoral surveillance programs, according to product categories or risks, and monitoring of supervisory activities, results and findings;</li> <li>● Review and periodic assessment of the functioning and effectiveness of control activities, and, if necessary, revise the surveillance approach and current organization.</li> </ul>
<b>Inspectorate Responsible for Market Surveillance under MEDTTE</b>	Market surveillance for non-food products in relation to, among others, general safety requirements; the economic operators' general obligation to inform; labelling requirements; price indication; packaging; rebates; and, sales promotions.
<b>DPM</b>	<ul style="list-style-type: none"> <li>● Market surveillance activities for pre-packaged products</li> <li>● Initial and subsequent verification of type approved measuring instruments covered by regulatory provisions as well as their components, accessories and auxiliary equipment. Initial verification to be carried out only for those measuring instruments which do not already have European initial verification marks..<sup>198</sup></li> </ul>

<sup>198</sup> Law No. 100/2015 "For some changes and additions to Law No. 9875 On Metrology" of 10 December 2015.

Institutions	Responsibilities
<b>National Agency of Drugs and Medical Devices under the Ministry of Health</b>	<ul style="list-style-type: none"> <li>● Onsite and post market control of medicine and medical equipment, through documentary control and, where appropriate, sampling and testing, with the right to withdraw, recall and destroy products presenting serious risks to consumers and impose sanctions on producers/traders and distributors placing unsafe products on the market.</li> <li>● Develop, in cooperation with the responsible ministry, a market surveillance programme covering sectors under its responsibility for the approval of the Coordination Council for Consumer Protection.</li> </ul>
<b>NFA under MARDWR</b>	<ul style="list-style-type: none"> <li>● Onsite and post market control of for food products manufactured in the country, and, where appropriate, sampling and testing, with the right to withdraw, recall and destroy products presenting serious risks to consumers and impose sanctions on producers/traders and distributors placing unsafe products on the market.</li> <li>● At the border control activities related to imported food products, livestock and plants</li> <li>● At the market control of food products</li> <li>● Develop, in cooperation with the responsible ministry, a market surveillance programme covering sectors under its responsibility for the approval of the Coordination Council for Consumer Protection.</li> </ul>
<b>Food safety and Veterinary Service Institute under MARDWR</b>	<ul style="list-style-type: none"> <li>● Onsite and post market veterinary control, and, where appropriate, sampling and testing, with the right to withdraw, recall and destroy products presenting serious risks to consumers and impose sanctions on producers/traders and distributors placing unsafe products on the market</li> <li>● Develop, in cooperation with the responsible ministry, a market surveillance programme covering sectors under its responsibility for the approval of the Coordination Council for Consumer Protection.</li> </ul>
<b>Customs</b>	At the border control in support of market surveillance.
<b>Coordination Council for Consumer Protection</b>	Brings representatives of state agencies (including agencies that are not directly involved in consumer protection activities) together with representatives of Consumer Associations and Business Organization to review policies and organizational measures on consumer protection. <sup>199</sup> The Council supports MEDTTE in performing its market surveillance functions. <sup>200</sup>
<b>Consumer Protection Commission</b>	Brings together 5 mediators (2 representatives from the responsible unit on consumer protection and market surveillance, 2 of them from Ministry of Justice and 1 from civil society with economic or legal background) to resolve disputes. <sup>201</sup>
<b>The judiciary and Ombudsman</b>	Dispute settlement
<b>Consumer Associations</b>	Consumer education and dispute settlement.

Source: Compiled by UNECE Secretariat

<sup>199</sup> See Law No. 9902 "On Consumer protection".

<sup>200</sup> See law No. 10489.

<sup>201</sup> See Law No. 9902 "On Consumer protection" and Decision of Council of Ministers No. 1444 of 22 October 2008.

Table A2.7 Metrology laboratories

Provided tests	Demonstrated areas of proficiency	Issued certificates
<b>Mass laboratory</b>		
<ul style="list-style-type: none"> <li>Calibration of weights (1 mg-20kg) up to E2 Class:</li> <li>Calibration of Non-Automatic Weighing Instruments NAWI up to 100kg (I, II, III Class)</li> </ul>	<p>Obtained in 2014-15 through inter-laboratory Comparisons (2014-2015)</p> <ul style="list-style-type: none"> <li>EURAMET key comparison M.M-K2.5 , No.</li> <li>1222 (10 kg) BEV pilot (Final raport april 2014)</li> <li>DPM - NTP ERAMED</li> <li>No.DPM_LM_01G_2014 (Weights 200g, 20g ,2g, 20 mg,20 0mg) , GDM pilot lab (Final report -September 2014)</li> <li>DPM - NTP ERAMED NO: DPM_LM_01G_2014</li> <li>NAWI Weighing Instruments, I, II Class (Max=200g, d=0.1mg, Max=6200g, d=0.01g ) GDM pilot (Final report - September 2014).</li> </ul>	<p>All certificates are internationally recognized.</p> <p>Mass laboratory actively participates in the CIPM MRA and has declared CMC tables (1mg-20kg) ( KCDB BIPM website ) on 01 April 2013 and has improved them with new entries on July 2015 (new entries). Of the 9 fields covered by DPM, only 7 CMCs have been published in CIPM MRA for Mass</p>
<b>Chemical laboratory</b>		
<ul style="list-style-type: none"> <li>Calibration of ph meter and conductivity meters</li> <li>Calibration of breath analyser</li> </ul>	<p>The laboratory is participating in proficiency tests (PTs) and inter-laboratory comparison for calibration of ph meter, conductivity meters and breath analysers</p>	<p>Certificates are only recognized in Albania.</p>
<b>Volume and flow</b>		
<ul style="list-style-type: none"> <li>Calibration of micropipettes</li> <li>Calibration of glassware (pipettes, burettes, flasks, cylinders)</li> <li>Calibration of metallic standard vessels up to 100 L.</li> <li>Calibration of storage stank (horizontal, vertical with different nominal capacity).</li> <li>Verification of flowmeters for fuel.</li> </ul>	<p>Participating in PTs and comparison for calibration of storage tanks with different methods (volumetric and laser method).</p>	<p>Certificates are only recognized in Albania.</p>
<b>Force</b>		
<ul style="list-style-type: none"> <li>Calibration of material testing machines in the range 0 kN – 3000 kN in tension and compression.</li> <li>Calibration of the material testing machines in compression for concrete 0 kN – 2000 kN..</li> </ul>	<p>Proficiency testing for calibration of universal material testing, multilateral proficiency test: 200 -200kN in Compression 50 -500kN in Tension and compression 10 -100kN in compression 10-100kN in tension 4-20kN in compression</p>	<p>Up until 2015, issued 31 calibration certificates. The laboratory is undergoing the accreditation process.</p>

<b>Electricity laboratory</b>		
<ul style="list-style-type: none"> <li>● Calibration of electricity meters of class 0.2, 0.5 and C of accuracy.</li> <li>● Calibration of handheld multimeters of 3.1/2 and 4.1/2 digit</li> <li>● Calibration of instruments that measure the resistance of the ground</li> <li>● Calibration of clamp meters(instruments that measure AC/ DC current up to 500A.</li> <li>● Calibration of AC and DC current and voltage sources</li> </ul>	Participated in a the regional project of inter-laboratory comparison of the Digital Multimeter 8.1/2 digits (November 2015)	Certificates are only recognized in Albania.
<b>Temperature</b>		
Calibration of thermometers, thermostats, furnace, humidity instruments of clients.	None	Certificates are only recognized in Albania.
<b>Length laboratory</b>		
Calibration of gauge blocks	Since 2011, the laboratory has been participating in inter-laboratory comparison (UME, Turkey) for gauge blocks with mechanic method.	Certificates are recognized in Albania and Kosovo
<b>Pressure laboratory</b>		
<ul style="list-style-type: none"> <li>● Bourdon Tube pressure gauges</li> <li>● Electrical pressure gauges.</li> </ul>	<p>The laboratory has not performed any proficiency tests but it has performed 3 inter-comparisons for the calibration of electrical pressure gauge as follows :</p> <ol style="list-style-type: none"> <li>1- Measuring ranges 0 bar – 150 bar, pressure medium oil ( Bilateral Comparison , German Metrology Institute (PTB), final report 2012).</li> <li>2- Measuring ranges 0 bar – 20 bar, pressure medium gas. Bilateral Comparison, German Metrology Institute (PTB) , final 2012).</li> <li>3- Measuring ranges 10 MPa – 100 MPa MPa _pressure medium oil. Supplementary comparison, Turkish Metrology Institute (UME). Registered as a KCDB identifier EURAMET.M.P-S13, January 2014 (ongoing).</li> </ol>	Certificates are only recognized in Albania

Source: DPM

**Table A2.8 Metrology laboratories: Immediate capacity building needs**

Laboratory	Capacity building needs
<b>Mass</b>	<p><b>Training in the following areas:</b></p> <ul style="list-style-type: none"> <li>● Implementing the new Guide EURAMET/cg-18/v4 on Calibration of Non Automatic Weighing Instruments.</li> <li>● Using automatic software, especially for E1, E2 calibration in order to improve the measurement performance and quality insurance</li> <li>● Measurement procedures, calculation of the results and uncertainty evaluation, using automatic density and volume comparator VD1005.</li> <li>● Inter-laboratory comparisons in mass field.</li> <li>● Dissemination of the unit of mass using subdivision method.</li> <li>● Calibration of Automatic Weighing Instruments AWI.</li> </ul>
<b>Chemical</b>	<p><b>Equipment:</b></p> <ul style="list-style-type: none"> <li>● Systems and equipment (instruments and reference solutions) for preparing the reference standards for conductivity measurements (Standard cells, second step of development) and for disseminating this unit through calibration.</li> <li>● Glass electrode system and differential potentiometer (by Baucke cell) for preparing the reference standards for pH measurements (multipoint calibration, second step of development) and for disseminating this unit through calibration.</li> <li>● Instruments for controlling precious metals (gold, silver).</li> </ul>
<b>Volume and flow</b>	<p><b>Equipment:</b></p> <ul style="list-style-type: none"> <li>● 3D laser scanner to realise the calibration of underground storage tanks.</li> <li>● Equipment for the calibration of gas meters (the laboratory needs assistance in establishing the required equipment)</li> </ul>
<b>Force</b>	<p><b>Training in the following areas:</b></p> <ul style="list-style-type: none"> <li>● Calibration of force transducers using the force standard machine.</li> <li>● Calibration of the force standard machine using the reference force transducers.</li> <li>● Participation in inter-comparisons for the calibration of the force transducers.</li> </ul>
<b>Electricity</b>	<p><b>Equipment:</b></p> <ul style="list-style-type: none"> <li>● Fully integrated, automated resistance measurement system to ensure proper maintenance of resistance quantity, and for disseminating this unit through calibration</li> <li>● The below equipment and training to ensure proper maintenance of the laboratory's 5 DC volt cells: <ol style="list-style-type: none"> <li>1. 16 Channel Scanner with cable inputs</li> <li>2. Nanovoltmeter</li> <li>3. Voltage Reference Maintenance Program for Windows</li> <li>4. USB to IEEE 488.2 Controller for Win 7/Vista/XP</li> </ol> </li> </ul>
<b>Temperature</b>	Automated Measurement Software for Thermometry Laboratory, in order to perform automatic calibration.

<b>Length</b>	<ul style="list-style-type: none"><li>● Equipment: 10 m bench with PC and software, optical microscope, measurements (laser interferometer) to calibrate tapes 10m, 20m, 30m, 50m, etc.</li><li>● Training in the following areas:<ol style="list-style-type: none"><li>1. 1.-Calculation of uncertainty of Gauge Block Comparators using the mechanic comparison method</li><li>1. 2.-Calculation of uncertainty of tapes measurements</li><li>1. 3- Calibration of BMG 3000 mm and Comparator EMP II</li><li>1. 4-Use of the Universal Length Measuring Machines</li></ol></li></ul>
<b>Pressure</b>	<b>Training in the following areas:</b> <ul style="list-style-type: none"><li>● Calibration of pressure balances.</li><li>● Calibration of absolute pressure instruments.</li><li>● Calibration of pressure transmitters with electrical output</li></ul>

Source: DPM





# **Improving the competitiveness of Albania's agricultural sector: Business Process Analysis**



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## Abbreviations

ASYCUDA	Automatic System for Customs Data
BPA	Business Process Analysis
CCI	Chamber of Commerce and Industry
CMR	Standardized document for cross-order transport of cargo by road, based on UN recommendations
FYROM	Former Yugoslavian Republic of Macedonia
QKR	National Registration Business Centres
SAD	Single Administrative Document
UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic Commission for Asia and Pacific

## A1. Introduction

This annex highlights major regulatory and procedural barriers to increasing Albania's exports of strategic agricultural products using UNECE-UNESCAP Business Process Analysis (BPA) methodology.<sup>202</sup> Identified in consultation with the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE) and the Ministry of Agriculture, Rural Development and Water Resources (MARDWR), these products are divided into two cat-

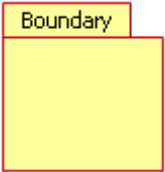

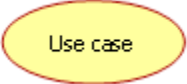




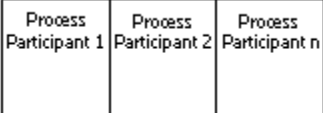


egories. The first includes fresh fruits and vegetables, while the second includes botanical/medical herbs, leaves, flowers and roots. The business processes associated with the export of the selected products are shown using:

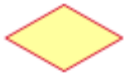



- Use-case diagrams (See table A1.1)
- Business process Buy - Ship-Pay flowcharts
- Time chart indicators on procedures
- Cost analysis chart

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<sup>202</sup> The joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: [www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

**Table A1.1 Use case and activity diagram notations**

Notation	Description and Instruction for Use
<b>Use Case Notations</b>	
	<p><b>Subject Boundary</b></p> <ul style="list-style-type: none"> <li>– Represents a process area</li> <li>– Includes the name of a subject boundary on top</li> </ul>
	<p><b>Actor</b></p> <ul style="list-style-type: none"> <li>– Is a person who participates in a particular business process</li> <li>– Is labeled with a role</li> <li>– Is placed outside the subject boundary which represents a process area</li> </ul>
	<p><b>Use Case</b></p> <ul style="list-style-type: none"> <li>– Represents a business process</li> <li>– Is labelled with a descriptive verb-noun phase</li> <li>– Is placed inside the subject boundary which represents a process area</li> </ul>
	<p><b>Association Relationship</b></p> <ul style="list-style-type: none"> <li>– Link actors with business processes that they participate in</li> </ul>
<b>Activity Diagram Notations</b>	
	<p><b>Initial State</b></p> <ul style="list-style-type: none"> <li>– Represents the beginning of a set of actions</li> <li>– There is only one initial state for each activity diagram</li> </ul>
	<p><b>Final Flow State</b></p> <ul style="list-style-type: none"> <li>– Is used to stop the flow of actions in an activity diagram</li> <li>– Indicates that further actions cannot be pursued</li> </ul>
	<p><b>Final Activity State</b></p> <ul style="list-style-type: none"> <li>– Is used to indicate the completion of activity i.e. no further action is needed after this point</li> </ul>
	<p><b>Swimlane</b></p> <ul style="list-style-type: none"> <li>– Is used to break up individual actions to individuals/ agencies that are responsible for executing their actions</li> <li>– Is labeled with the name of the responsible individual or agency</li> </ul>
	<p><b>Action</b></p> <ul style="list-style-type: none"> <li>– Represents a non-decomposable piece of behavior</li> <li>– Is labeled with a name that 1) begins with a verb and ends with a noun; and 2) is short yet contain enough information for readers to comprehend.</li> </ul>
	<p><b>Object</b></p> <ul style="list-style-type: none"> <li>– Represents a document or information that flows from one action to another action</li> <li>– Is labeled with a name of a document</li> </ul>

Notation	Description and Instruction for Use
<b>Use Case Notations</b>	
	<b>Decision</b> <ul style="list-style-type: none"> <li>– Represents the point where a decision, depending on the outcome of a specific prior action, has to be made</li> <li>– Has multiple transition lines coming out of a decision point and connecting to different actions</li> <li>– Attach label with the condition on each transition line that comes out of an action and connects to a decision point</li> </ul>
	<b>Transition line</b> <ul style="list-style-type: none"> <li>– Indicates a sequence flow of actions and information in an activity diagram</li> </ul>
	<b>Fork (Splitting of Control)</b> <ul style="list-style-type: none"> <li>– Is used to visualize a set of parallel or concurrent flow of actions</li> </ul>
	<b>Join (Synchronization of Control)</b> <ul style="list-style-type: none"> <li>– Is used to indicate the termination of a set of parallel or concurrent flow of actions</li> </ul>

This annex is divided into 7 sections. The introduction in section one is followed by background information on the key factors influencing the exports of fruits, vegetables and medicinal herbs from Albania. Sections three and four describe the core business processes associated with exporting the selected products. An overview of the time process charts and cost analysis is provided in sections five and six, leading to action-oriented recommendations for the Government's consideration in section 7.

## A2. Domain of interest

### A2.1 Product selection

Albania's agricultural exports are dominated by fresh fruits and vegetables and botanical/medicinal herbs, leaves, flowers and roots with the latter constituting a major contributor to export earnings (Table A2.1.1). Vegetables are grown in the capital city of Tirana and the city of Shkodër in the north western parts of the country and the Fier region in the south-western parts. Tirana and Shkodër make up for more than half of vegetable output, while Fier accounts for another 31.4 percent. Fruits are grown in Korçë (23.6 percent of total output) and the regions of Elbasan, Berat, Fier and Diber.<sup>203</sup>

<sup>203</sup> National Plan for European Integration for the period 2014-2016; Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020

Around 28 of the formal enterprises and several informal small farmers are engaged in food processing, using home-grown fruits and vegetables and the majority aspire to be specialized in the export of bio-products that is finding increased demands in Europe and beyond.<sup>204</sup>

Botanical medicinal herbs, leaves, flowers and roots are found all over the country, including sage, oregano, savoury, thyme, lavender, bilberry, rosemary, bearberry, red clovers, butcher broom and birch. Collection is more organized in some regions, particularly in Fier, Shkodër, Skrapar, Elbasan, Korçë, Berat and Durrës, and the industry has a promising export potential. Albania is a major exporter of sage, thyme, oregano and winter savoury, with established positions in the USA (sage) and Germany (wild thyme).<sup>205</sup>

<sup>204</sup> National Plan for European Integration for the period 2014-2016; Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020

<sup>205</sup> (USAID) United States Agency for International Development (2009) The Medicinal and Aromatic Plants Value Chain in Albania.



**Table A2.1.1- Albania's exports of the selected products**  
(average 2005-2014)

Product	Share in total exports	
	Tons	Value
Fresh vegetables	51%	26.4%
Fresh fruits	37%	18.7%
Medicinal herbs	11%	43%

Source: Albanian Institute of Statistics and MARDWR<sup>206</sup>

Two enterprises were selected to serve as case studies, based on the size of their exports. The first is located northwest Albania in the city of Laç (Lezhë region), and is involved in exporting botanical medicinal herbs, leaves, flowers and roots.

The selected enterprise obtains the raw material in the form of the dried herbs, leaves, flowers and roots from the collection points, which purchases the produce from farmers.<sup>207</sup> The enterprise has modern facilities for sorting, cleaning, processing and packaging the produce according to international safety and quality standards. It exports medicinal herbs in bulk in the form of dried and semi processed products for further processing and packaging in the importing country.

Sage, winter savoury, thyme, oregano and rosemary constitute the bulk of the company's exports, which are sold in the United States of America (70 percent of total exports) and European countries, particularly Croatia, Germany and the Former Yugoslav Republic of Macedonia (FYROM). The enterprise ranks among the biggest exporters of medicinal herbs in the country, with a monthly export volume of 200 tons.

The second enterprise is located western Albania in the town of Divjakë (Fier region), and is involved in exporting fruits and vegetables, particularly cucumber, tomatoes, sweet peppers, cabbages, apples, pears and watermelon. The enterprise, which is also involved in importing fruits and vegetables, has a modern sorting, grading and packing facility and a small truck fleet. It collects the produce directly from the farms, and exports fresh and packaged fruits

and vegetables to Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Montenegro, Romania, Slovenia, Switzerland and Ukraine. The enterprise exports around 1000 tons on a monthly basis under its own brand.

Both enterprises reported positive export growth rates in 2014 in relation to the previous year. This is especially the case of the exporter of fruits and vegetables, which registered an impressive growth rate of 60 percent. The two enterprises draw on the strong relations of trust they have cemented with family-owned and operated farms over the years through long-term subcontracting arrangements. The exporter of botanical medicinal herbs, leaves, flowers and roots has a well-established network of 3000 farmers.

The selected enterprises reflect successful experiences, which stand in contrast to those of the SMEs surveyed as part of the study. Yet, as shown in the remaining sections, they are withheld by a number of bottlenecks that are common to the surveyed SMEs. It is these barriers that should be accorded priority treatment through immediate reform measures.

## A2.2 Scope of the business processes

Consistent with the UNECE the Buy-Ship-Pay reference model described in the study (Chapter one), the analysis covers:

- The establishment of commercial contracts with buyers.
- The fulfilment of regulatory requirements of Albania and the countries of import (including rules of origin and quality and safety requirements)
- The transport of goods
- Payment activities

<sup>206</sup> National Plan for European Integration for the period 2014-2016; Inter-sectoral Strategy for Agriculture and Rural Development in Albania for the period 2014-2020

<sup>207</sup> Some of the collection points have drying facilities and provide sorting services before selling them to individual collectors and manufacturers.

The scope of the analysis, which took into account existing legislation, was established in discussion with the selected companies, and is provided below:

A. *Applicable to all of the selected products*

- The products are exported on the basis of established relations with buyers.
- The companies export the products using customs broker services. The business processes associated with customs clearance were established based on interviews with customs brokers

B. *Botanical medical herbs*

- Botanical medical herbs, leaves, flowers and roots are exported to the USA by sea and to Europe by truck.
- The botanical medicinal herbs, leaves, flowers and roots are exported as semi products for further packing and marking for retail trade.

- The botanical medical herbs, leaves, flowers and roots are packed and exported in different breathable sacks (textile, plastic) or in pressed bales and carton boxes.

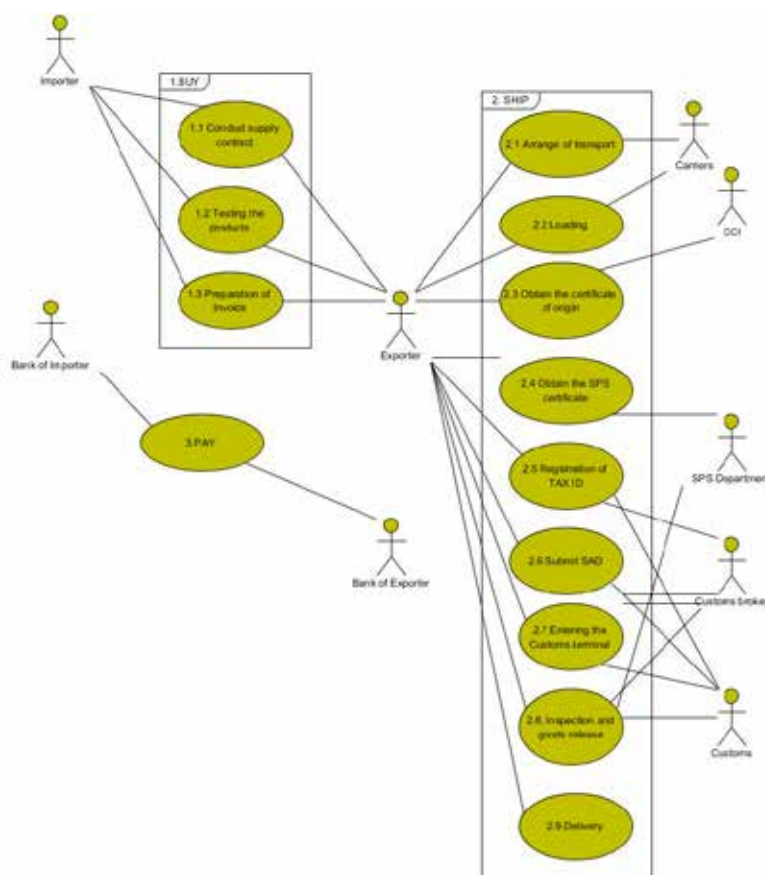
C. *Fruits and vegetables*

- Vegetables (cucumber, tomatoes, sweet peppers, cabbages, etc.) and fruits (apples, pears include watermelon) are exported as fresh products after packaging.
- Vegetables and fruits are transported by trucks.

### A3. Core business processes

As shown in diagram 3.1, the business processes associated with the export of the selected products did not vary from one enterprise to the other. The processes follow a logical sequence that was perfected over the years through learning by doing under the guidance of buyers and customs brokers.

**Diagram A3.1 Use case diagram of core business processes for exporting the selected products from Albania**



The export of the selected products involves 14 core business processes and 9 participants. Table A3.1 provides a breakdown of these processes across the

Buy-Ship- Pay model. Detailed description of each business process is given in the remainder of this section.

**Diagram A3.2 Core business processes and stakeholders involved in exporting the selected products**

Party	Exporters	Bank	Transport company	CCI	NFA Regional Office	Customs brokers	Customs	Importers	Foreign testing laboratories
<b>1. Buy</b>									
1.1. Conclude commercial contract	+							+	
1.2. Obtain certificate of analysis (testing)	+							+	+
1.3. Prepare invoice	+							+	
<b>2. Ship</b>									
2.1. Arrange transport	+		+					+	
2.2. Load	+		+						
2.3. Obtain certificate of origin	+			+		+			
2.4. Obtain phytosanitary certificate	+					+			
2.5. Register TAX ID Number	+					+	+		
2.6. Prepare and submit customs declaration	+					+	+		
2.7. Park at the customs terminal	+					+	+		
2.8. Pass inspection	+					+	+		
2.9. Deliver goods	+							+	
<b>3. Pay</b>									
3.1. Verification of the delivered goods	+							+	
3.2. Bank transfer		+						+	

### 3.1 Buy

#### 3.1.1– 3.1.2 Core business processes – Conclude the commercial contract and obtain the certificate of analysis

The two enterprises reported that concluding the commercial contract is a straightforward seamless process, which proceeds with minimum negotiations

following standardized terms that have been established over the years using International Commercial Terms (Incoterms). In most cases, the enterprises export according to a pre-set schedule agreed upon with the buyers. Otherwise, they are approached by the buyers with a request for quotations.

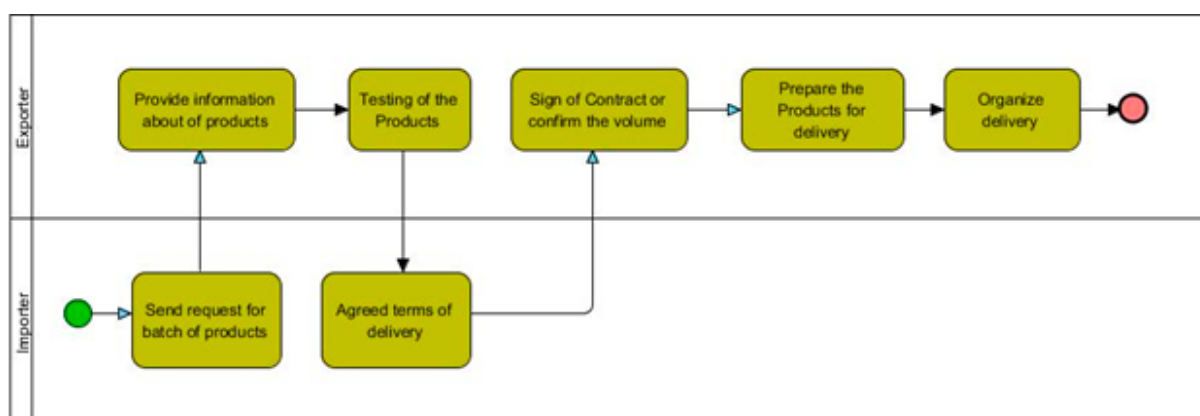
As shown in diagram A3.1.1, the enterprises organize the testing of products during the negotiations over the contract. As there are no accredited testing

laboratories for fresh fruits and vegetables in Albania, the exporter of the botanical medicinal herbs, leaves, flowers and roots conducts these tests in the enterprise's own laboratory, which is not accredited by the General Directorate of Accreditation (DPA). The representative of the enterprise noted that they have established strong relations of trust with the buyers over the years, so that there is no need to send the products for testing abroad. Moreover, the terms of the contract are set in such a way to safeguard the buyer's interests in case the products are not up to the required standards. Payment is

always organized in two installments with 50 percent paid upfront and the remainder after delivery.

The exporter of the fruits and vegetables sends samples for testing by accredited laboratories in the importing country, and wait for at least an entire week to obtain the test results (certificate of analysis). As the products are perishable, the buyer insists that payment is made after delivery. Any losses in the form of damaged goods are deducted from the payment.

**Diagram A3.1.1 - Conclude commercial contract and obtain certificate of analysis**



**Diagram A3.1.1 - Conclude commercial contract and obtain certificate of analysis**

<b>Name of process area</b>	<b>3.1. Buy</b>
<b>Name of business process</b>	3.1.1 Conclude the commercial contract 3.1.2 Obtain certificate of analysis
<b>Legal foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>● Incoterms</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>● Exporter</li> <li>● Importer (buyer)</li> </ul>
<b>Criteria to start the process</b>	Exporter has received a request from a potential buyer or the exporter has made the offer to a potential buyer.
<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>● Importer sends request for an offer or the exporter makes an offer</li> <li>● Exporter provides information about the products.</li> <li>● Parties agree on the terms of the contract and sign the contract.</li> <li>● Exporter organizes product testing (In-house in the case of the exporter of medicinal herbs and abroad in the case of the exporter of fruits and vegetables)</li> <li>● Exporter prepares the invoice and submits to the Importer along with the certificate of analysis</li> </ul>
<b>Criteria for completion of the process</b>	Exporter prepares the products for export
<b>Average time required to complete this business process</b>	Up to 2 weeks for the exporter of fruits and vegetables. 5 working days for the exporter of medicinal herbs
<b>Costs for the testing</b>	€ 400-800 per sample for the exporter of fruits and vegetables (including shipment costs)

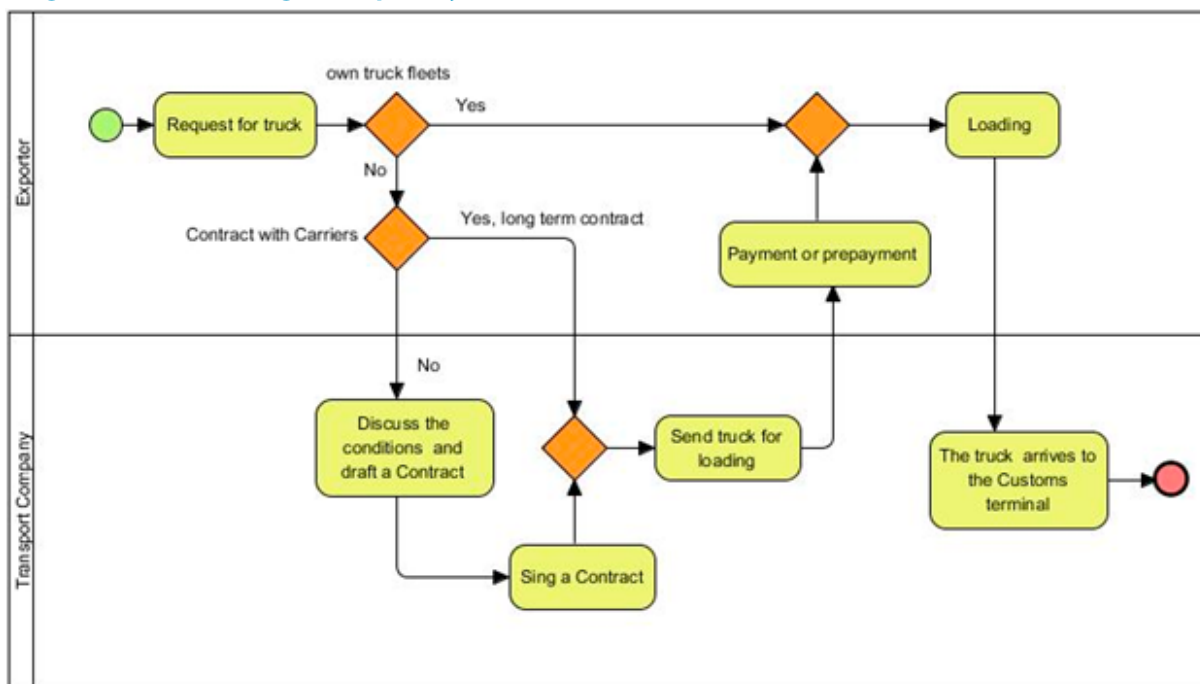
### 3.2 Ship

#### 3.2.1- 3.2.2 Core business processes – Arrange transport

Immediately after signing the contract or, in some cases, during the negotiations over the terms of sale, the exporter commences preparations for transporting the goods to designated markets. The enterprise engaged in the export of fruits and vegetables has its own truck fleet, which comprises refrigerated trucks. The exporter of medicinal herbs has established, long-term contracts with freight forwarders based on annual minimum tonnage.

The practical arrangements, such as the number of trucks and the exact shipment dates, are communicated to the forwarders by email or phone once the goods are ready for dispatch. Goods destined to Europe are transported by truck, while those destined to the USA are transported by truck to the port of Durrës. As there are no direct maritime routes between Albania and the USA, goods are shipped via Israel as per the buyer’s wish, which increases the transport time. The traders noted that they lack the experience and knowledge of maritime transport, so that they leave it up to the buyer to decide on the best route to follow. Diagram A3.2.2 shows the organization of the transport process by road as described by the two companies.

Diagram A3.2.2 – Arrange transport by road



<b>Name of process area</b>	<b>3.2. Ship</b>
<b>Name of business process</b>	3.2.3 (a) Obtaining the certificate of origin
<b>Legal foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>Law No. 9640 of 2006 “On the Chambers of Commerce and Industry”.</li> </ul>
<b>Process participants</b>	Exporter Expert of CCI
<b>Criteria to start the business process</b>	<ul style="list-style-type: none"> <li>The exporter has signed the commercial contract</li> </ul>

<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>• Exporter or his authorised representative submits the application form with copies of the commercial contract and the invoice. The CCI doesn't request Application in writing for each export operation when the export flow is regularly.</li> <li>• CCI Expert checks the documents and prepares the Certificate and an invoice for payment.</li> <li>• The Exporter or his authorised representative pays and receives the Certificate</li> </ul>
<b>Criteria of completion of the business process</b>	The certificate of origin is issued
<b>Average time required to complete the business process</b>	During 1.5 hours
<b>Total cost</b>	1500 Lek (€ 10.8) Unofficial payment € 5-10
<b>Use of output</b>	Customs clearance

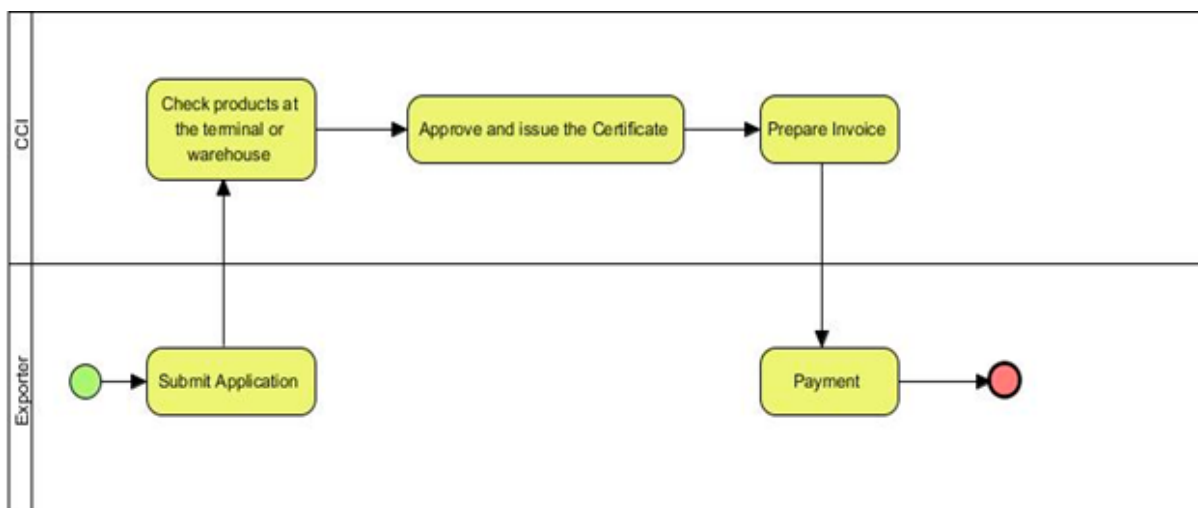
### 3.2.3 Core business processes – Obtaining of certificate of origin

#### (a) Certificate of origin

certificate of origin (CoO) from the Chamber of Commerce and Industry (CCI). As shown in diagram A3.2.3 (a), the certificate is issued in paper form in less than 2 hours based on documentary checks.

Once the products are ready for exports, the enterprises commence preparations for obtaining the

**Diagram A3.2.3 (a) – Obtain the CoO**



<b>Name of process area</b>	<b>3.2. Ship</b>
<b>Name of business process</b>	3.2.3 (a) Obtaining the certificate of origin
<b>Legal foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>• Law No. 9640 of 2006 "On the Chambers of Commerce and Industry".</li> </ul>
<b>Process participants</b>	Exporter Expert of CCI
<b>Criteria to start the business process</b>	<ul style="list-style-type: none"> <li>• The exporter has signed the commercial contract</li> </ul>

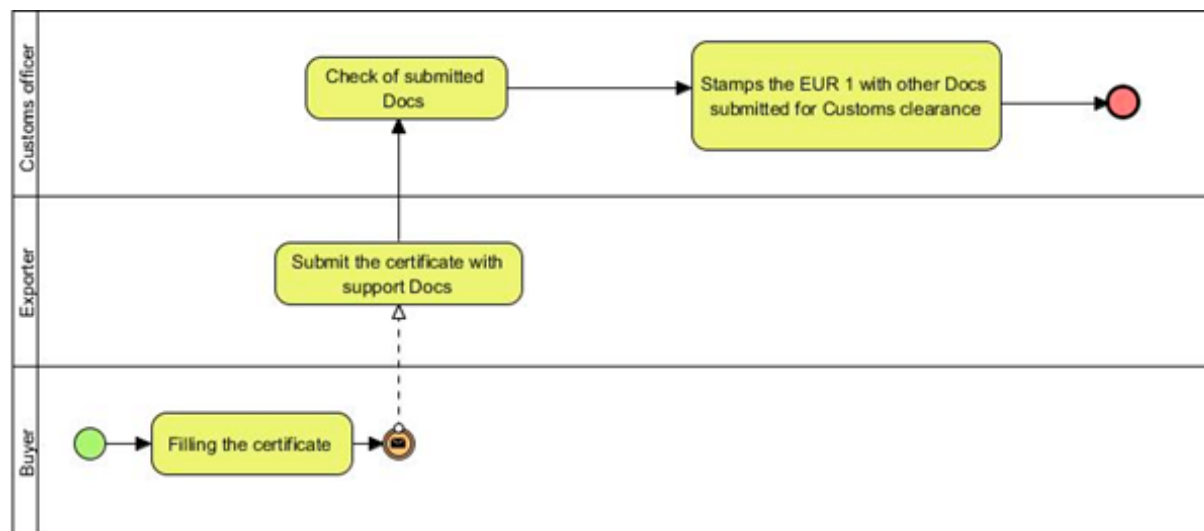
<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>• Exporter or his authorised representative submits the application form with copies of the commercial contract and the invoice. The CCI doesn’t request Application in writing for each export operation when the export flow is regularly.</li> <li>• CCI Expert checks the documents and prepares the Certificate and an invoice for payment.</li> <li>• The Exporter or his authorised representative pays and receives the Certificate</li> </ul>
<b>Criteria of completion of the business process</b>	The certificate of origin is issued
<b>Average time required to complete the business process</b>	During 1.5 hours
<b>Total cost</b>	1500 Lek (€ 10.8) Unofficial payment € 5-10
<b>Use of output</b>	Customs clearance

**(a) Movement certificate EUR -1**

For goods destined to the EU, and in order to claim for preferential duty rates in the country of importation, traders should also obtain the EUR1 Movement Certificate for goods with a declared value exceeding €6,000. Products valued € 6, 000 or less should be accompanied by an invoice declaration, filled out and duly signed and stamped by the exporter.

The EUR1 certificate is issued by the customs based on the EUR1 form filled out by the buyer. The enterprises and the customs brokers reported that delays often occur because the responsible senior official with the authority to sign and stamp the certificate is unavailable (not at the terminal) or arrive late at the terminal.

**Diagram A3.2.3 (b) – Obtain EUR1 certificate**



<b>Name of process area</b>	<b>3.2. Ship</b>
<b>Name of business process</b>	3.2.3 (b) Obtaining the EUR-1
<b>Legal foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>• EU-Albania Stabilization and Association Agreement (SAA)</li> </ul>



<b>Process participants</b>	Exporter Customs inspector
<b>Criteria to start the business process</b>	The products are ready for export
<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>• The exporter submits the EUR1 certificate filled out by the buyer along with the support documents proving the origin of goods (commercial contract and the invoice)</li> <li>• The Customs stamps the document</li> </ul>
<b>Criteria of completion of the business process</b>	The EUR 1 certificate is issued
<b>Average time required to complete the business process</b>	20 minutes to several hours
<b>Total cost</b>	€ 1.9
<b>Use of output</b>	For Customs clearance

### 3.2.4 Core business processes – Obtain the Phytosanitary certificate

According to the Albanian legislation phytosanitary inspection is applied to inbound and outbound consignments of food, plants and plant products, which should be accompanied by the phytosanitary certificate and comply with quarantine requirements in Albania and the importing country.

Fumigation is optional and is conducted either at the enterprises' warehouse or at NFA regional office or at the customs terminal. The enterprises do not usually fumigate the consignments. They noted that the process usually takes around 2 hours to complete, and the exporter has to arrange for the transport of the products to the NFA regional office. Fumigating the produce at the terminals is complicated due to the lack of space at most BCPs. Moreover, the exporter

usually arranges for the inspector's commute to the customs terminal.

The phytosanitary certificate is based on the International Plant Protection Convention (IPPC) Model, and is issued by the NFA following inspection. The inspection is conducted at the terminal or at enterprises' warehouse, and should occur no more than 14 days before the date of dispatch of the consignment for customs clearance and the certificate must be signed within the 14-day period.

The selected enterprises do not experience difficulties in obtaining the certificate. They noted that they have a well-established record, having been involved in export activities for almost 20 years. They also reported providing informal payments to speed up the process.

#### Diagram A3.2.4 Obtain the Phytosanitary certificate

<b>Name of process area</b>	<b>3.2 Ship</b>
<b>Name of business process</b>	3.2.4 Obtaining Phytosanitary certificate and pass fumigation
<b>Legal Foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>– Law No. 9362 "On Plant Protection Service"</li> <li>– Council of Ministers' Decree No. 750 "On implementing phytosanitary quarantine inspection rules".</li> <li>– Law No. 9863 of 28 January 2008 "On Food"</li> <li>– Law No.10433 of 16 June 2011 "On Inspection".</li> </ul>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• NFA</li> </ul>
<b>Criteria to start the business process</b>	The product are entered the customs terminal or ready got loading at the warehouse

<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>• The exporter informs the officers of the regional NFA 48 hours about arrival of the products (consignment) at the Customs terminal</li> <li>• The phytosanitary inspector comes to the terminal and conducts inspection (takes samples and test).</li> <li>• At the end of an inspection, the inspector submits to the Customs Authorities a report and prepares a certificate and an invoice for payment.</li> <li>• The exporter pays and receives the Certificate</li> </ul>
<b>Criteria of completion of the business process</b>	Phytosanitary certificate is issued
<b>Average time required to complete the business process</b>	2 hours ( testing time from 20 min to 1 hour)
<b>Total cost</b>	For certificate 2500 Lek (€ 18 -21) Informal payments between € 5 and €10
<b>Use of output</b>	For customs clearance and consumer

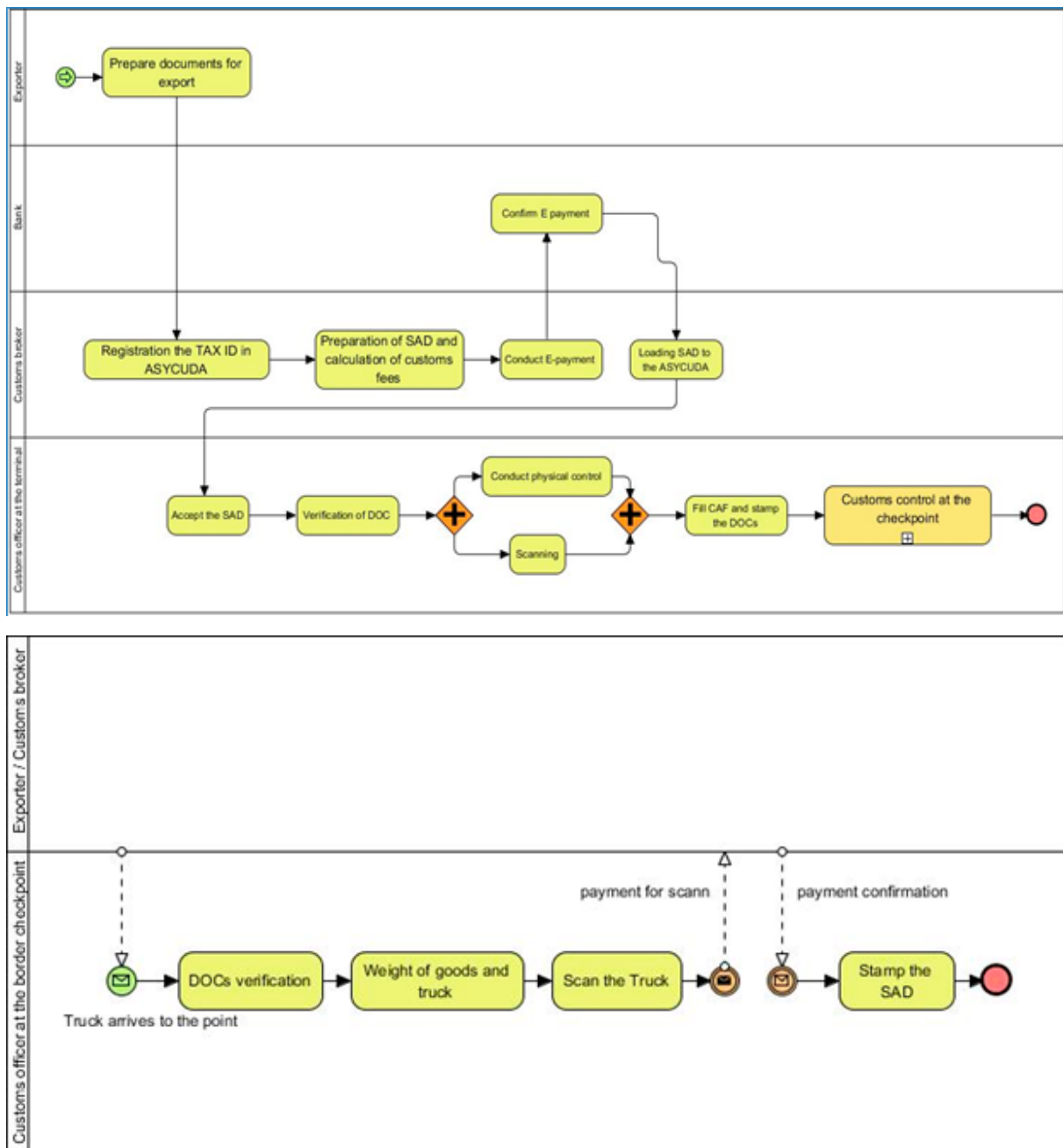
### 3.2.5 – 3.2.8 Core business processes – Customs clearance

Once the documents are in order, the consignments are transported to the customs terminal. The enterprises described a two phased clearance process. The first involves obtaining the customs declaration, which is processed using ASYCUDA Word. The second phase involves customs clearance, during which the consignments are weighed and subjected to documentary checks by the Customs and physical inspection by the NFA. The enterprises do not encounter any problems during the weighing procedure, which they described as seamless due to the fact that they export an average of 12 shipments on a monthly basis. Once inspection is completed, consignments are closed and sealed under the Customs supervision, and are dispatched for release after the payment of the customs duties through the ASCUDA Word online payment facility.

Traders reported that in addition to the physical inspection, consignments are also scanned twice at the

terminal's entry and exit points. Moreover, enterprises are charged (€ 22) each time even if the terminal in question is not equipped with scanning equipment. Customs clearance is often delayed because regional customs offices have limited working hours. The enterprises noted that although the working hours are established and published on the customs web site, most regional offices have their own schedule from 7:00am to 11:00 am. This period is insufficient for completing the clearance process. This is all the more so because the Customs Clearance Attestation, which marks the completion of the clearance process, should be duly stamped by the customs officer of verification, customs officer of physical control, and the custom officer of valuation. It is often the case that the officers in question are not available at the terminal. These delays mean that it takes an entire working day to complete the clearance procedure. To speed up the process, the enterprises provide informal payments.

Diagram A3.2.5 – 3.2.8 Customs clearance



<b>Name of process area</b>	<b>3.2. Ship</b>
<b>Name of business process</b>	3.2.3-3.2.8 Customs clearance
<b>Legal foundation (Related laws, rules and regulations)</b>	<ul style="list-style-type: none"> <li>Articles 142 and 145 of the Decision No. 205 of 04.13.1999 "On Approval of Implementing provisions of the Customs Code".</li> <li>Law No 8449 of 27.01.1999 "Customs Code of the Republic of Albania"</li> </ul>

<b>Name of process area</b>	<b>3.2. Ship</b>
<b>Process participants</b>	<ul style="list-style-type: none"> <li>● Exporter</li> <li>● Customs broker</li> <li>● Customs</li> <li>● NFA</li> </ul>
<b>Criteria to start the business process</b>	<ul style="list-style-type: none"> <li>● Exporter has obtained all the documentary requirements The trucks carrying the cargo is parked at the customs terminal</li> </ul>
<b>Activities sequence</b>	<ul style="list-style-type: none"> <li>● Customs broker registers the VAT Identification Number (TAX ID) in the ASYCUDA system</li> <li>● The broker submits customs declaration electronically together with the remaining trade documents in hard copy</li> <li>● Customs officer processes the declaration</li> <li>● The goods enter the terminal</li> <li>● The truck passes weighting procedure</li> <li>● The trucks are then scanned</li> <li>● Customs conducts documentary checks, and the authorized officer fills out the clearance attestation form (print out of the customs declaration which is based on SAD), signs it and stamps it</li> <li>● Consignments pass physical inspection.</li> <li>● Customs officer fills out the clearance attestation form (document confirm that products have cleared customs), signs it and stamps it</li> <li>● Exporter pays the customs duties</li> <li>● Consignments are scanned at the exit point</li> <li>● Customs officer verifies payment and stamps the clearance attestation form.</li> <li>● Trucks exit the customs terminal</li> </ul> <p>Note: Each customs officer has his own stamp, identified by a number. The Customs Officers keep the same stamp even if they are transferred to another Customs office</p>
<b>Criteria of completion of the business process</b>	Customs Clearance Attestation is issued
<b>Average time required to complete the business process</b>	1 day
<b>Total cost</b>	Parking fees at the customs terminal: € 15 per day (land); up to €19 per day (port). The fees are charged per day, even if the traders park for a few hours. Informal payments ( 20 to 50 percent of the formal fees).

### 3.3 Pay

The selected enterprises said that financial transactions are carried out in a seamless manner, with payments remitted to the enterprises' banks according to the schedule established under the commercial contract.

## A4. Export documents

The BPA shows that exporters of fruits, vegetables and medicinal herbs are subject to minimum documentary requirements. These involve six documents for cus-

tom's clearance purposes, and an additional seventh document that is prepared upon the request of the buyers. Moreover, with the exception of the commercial invoice, all documents are submitted only once. There is only one instance of repetitive submission, as traders have to present the CoO and the EUR1 for the purpose of establishing the origin of goods. The selected enterprises did not find this cumbersome, and did not raise concerns regarding the resulting additional costs. Evidence suggests that this is not the case for SMEs. As shown in the chapter three, SMEs find the additional costs significant. The Government may wish to consider lifting the CoO requirements for some of the exports destined to the EU.

Table A.4.1 – List of trade documents

Nº	Document	Required	Issued/ filled by	Input in process	Comments, Descriptions
<b>Key Documents according to the customs legislation</b>					
	<b>Customs declaration</b>	General Directorate of Customs	Customs/Customs broker	Ship	Electronic (SAD format)
	<b>Commercial invoice</b>	Customs	Exporter	Ship	Hard copy (paper form)
	<b>Certificate of Origin</b>	Customs	CCI	Ship	Hard copy (IPPC Model)
	<b>Phytosanitary Certificate</b>	Customs	Phytosanitary Regional Office <sup>208</sup>	Ship	Hard copy
	<b>Transport document</b>	Customs and for Transit	Carries or customs broker	Ship	Hard copy (CMR)
	<b>Packing list</b>	Customs	Exporter	Ship	Hard copy
<b>Additional documents</b>					
	<b>Certificate of analysis</b>	Buyer	Testing laboratory	Ship	Hard copy
<b>Support documents for obtaining the CoO</b>					
	<b>Commercial invoice</b>	CCI	Exporter	Buy-Ship-Pay	Hard copy (using Incoterms)
	<b>VAT certificate</b>	CCI	TAX office	Ship	Hard copy
	<b>Registration Certificate from QKR</b>	CCI	QKR	Ship	Hard copy
<b>Support documents for obtaining the customs declaration</b>					
	<b>Commercial invoice</b>	Customs			Hard copy
	<b>Transport document</b>	Customs			Hard copy
	<b>Phytosanitary certificate</b>	Customs			Hard copy
	<b>CoO</b>	Customs			Hard copy
	<b>EUR1</b>	Customs			
	<b>Packing list</b>	Customs			Hard copy
<b>Support document to obtain the Phytosanitary Certificate</b>					
	<b>Commercial invoice</b>	NFA			

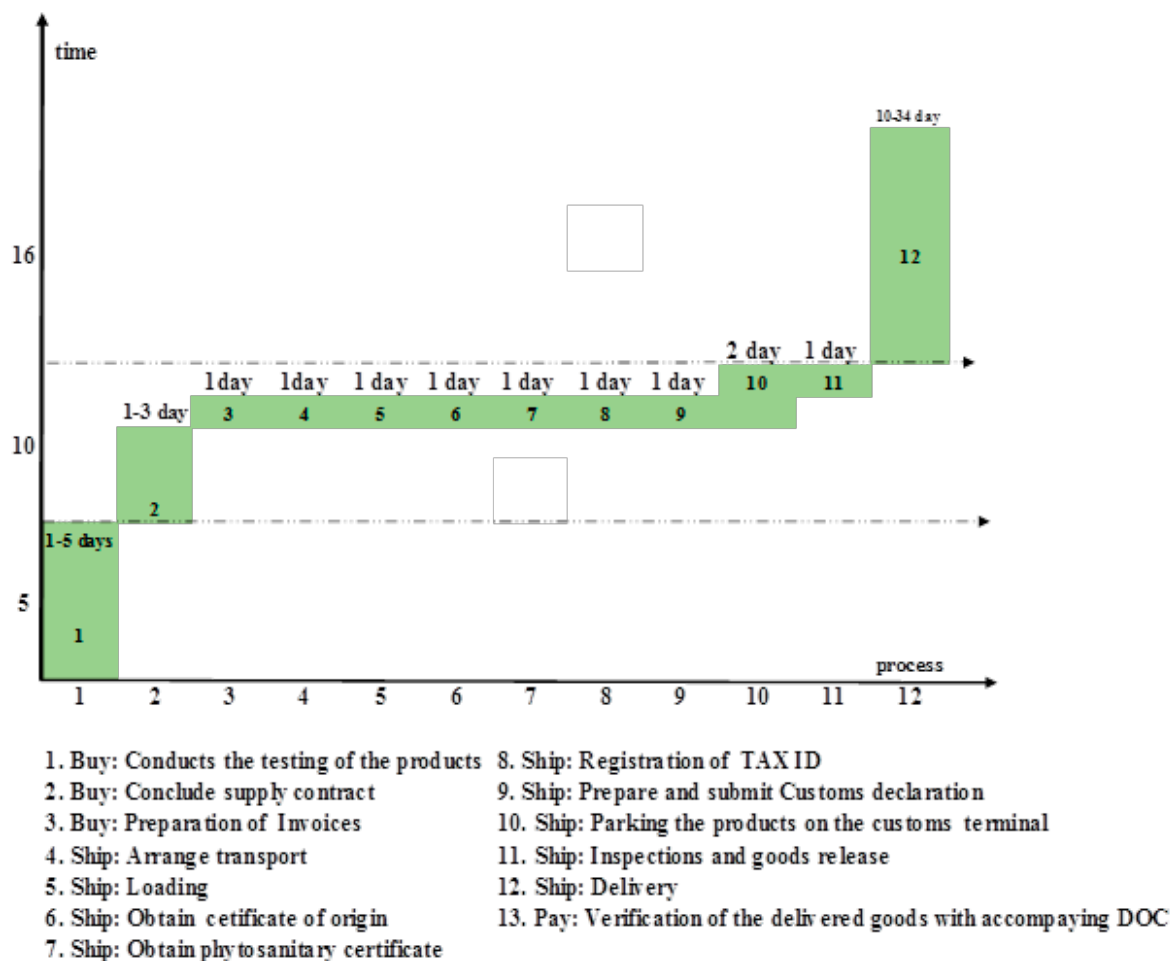
## A5. Time-Process Chart

As shown in figure 5.1, it takes up to 12 days to complete the business processes associated with exporting the selected products. This period, which is only applicable to the selected companies, reflects a speedy processing of documentary requirements

and clearance processes owing in large part to informal payments. This time period also reflects delays during the clearance due to the limited working hours of regional offices and the unavailability of the designated officials who are authorized to sign the attestation and the EUR1 certificate.

<sup>208</sup> Department of Regional Agriculture Development Directorate of Ministry of Agriculture

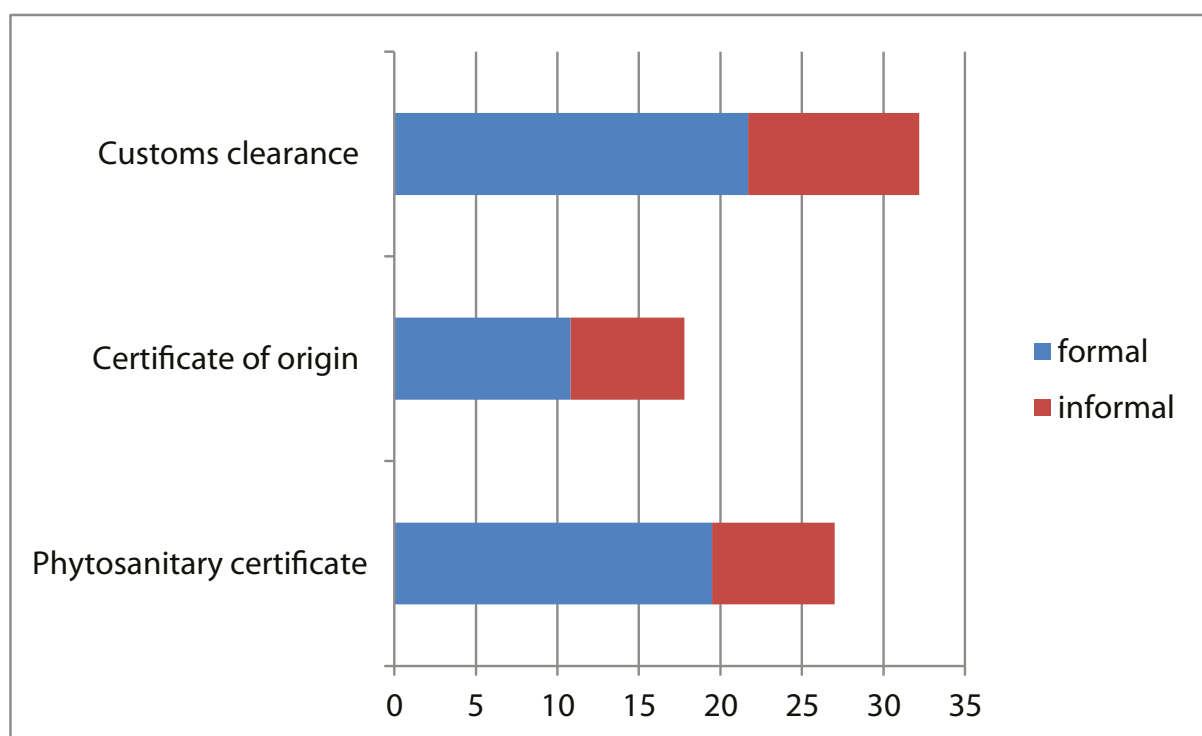
**Figure 5.1 Time-process chart for the export of fresh fruits and vegetables and botanical medical herbs from Albania**



**A6. Cost analysis**

- The selected companies reported that they provide informal payments to speed up the issuing of documentary requirements and customs clearance. The payments represent 30 to 40 percent of the formal payments (Figure A.6).
- The amount of informal payments is not significant compared to those accrued by the traders due to the lack of testing laboratories.
- The scanning fees at the customs terminal (at the entry and exit points) inflate the transaction costs accrued by traders
- The parking fees were described by the two enterprises as high.

**Figure A.6** Costs associated with exporting fresh fruits and vegetables and botanical medicinal herbs from Albania (in USD)



## A.7 Recommendations

The selected companies are major players in international markets and have long term contracts and trust relations with buyers. Yet, their experience bring forward a number of fundamental weaknesses that need to be addressed, including the strengthening of the rule of law and the modernization of testing facilities.

The analysis also suggests that more needs to be done to improve the enterprises' productive capacity. This is especially the case for the exporter of the medicinal herbs. The enterprise exports dried and semi processed products, at a time when it could move up the value chain if provided some guidance and support to invest in modern equipment that would allow it to specialize in finished organic products. Below are some recommendations for the Government's consideration:

- Invest in modernizing existing testing laboratories along the lines of the recommenda-

tions provided in the study. There is also a need to consider establishing new laboratories for testing medicinal herbs and fresh fruits and vegetables, since these constitute major exports. The selected enterprises emphasized that there is a shortage of laboratories, and advised that the government could consider public private partnership schemes for establishing such laboratories so that each region could have at least one laboratory. The final decision should be based on a thorough feasibility studies.

- Eliminate the existing practice of scanning consignments at the customs terminals.
- Create fast lanes for the control of perishable products with non-stop operations
- The Customs website should be further improved to provide up-to-date information. The enterprises also suggested that the website should feature an online enquiry point.



- Ensure that the senior officials, who are authorised to sign the EUR 1 certificate and the Customs Clearance Attestation, are present at the customs terminal throughout the working hours.
  - Parking fees should be charged per hour.
  - Improving the competitiveness of Albania's agricultural sector: Business Process Analysis focused industrial upgrading programmes for assisting the two companies in moving up the supply value-chain
  - The Government may wish to consider lifting the CoO requirements for some of the exports destined to the EU.
  - CoOs should be issued upon written applications. This is important for consolidating the Chamber's records and fostering the rule of law.
  - Consider establishing a national shippers' council to ensure broader choice improve the enterprises' negotiating power vis-à-vis international shipping lines.
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