

Tirana, 31.03.2020

TO: His Excellency Mr. Edi Rama Edi Rama
Prime Minister of the Republic of Albania

Mrs. Anila Denaj
Minister of Finance and Economy in the Republic of Albania

Mr. Arben Ahmetaj
Minister of State for Reconstruction

Mr. Eduard Shalsi
Minister of State for the Protection of Entrepreneurship

FROM: Representatives of Business Community in Albania

TOPIC: Business requirements for intervention in economy

Honorables,

Representatives of the business are following with concern the alarming situation created by the spread of the Covid-19 virus.

We appreciate the work being done by the Albanian government in facing the difficulties in these delicate moments to prevent this global pandemic that has gripped our country.

The austerity measures taken by the government of the Republic of Albania, as well as the timely extension of these measures, have directly affected businesses, causing serious current damage and becoming a very dangerous scenario for the future of private business in particular, and for the Albanian economy as a whole.

Given the situation that private business is experiencing and the fact that the Albanian economy is fragile and not ready to face major challenges, representatives of chambers of commerce and business associations, after a detailed consultation for a period of 2 weeks, with all sectors of the private business operating in the territory of the Republic of Albania, see as necessary the intervention by the Albanian government with a detailed financial, courageous and smart package.

Specifically, we propose as follows:

1. To compensate the salaries of the employees and to exclude from all fiscal obligations until the return to normalcy, all:

- a. Enterprises of the urban, interurban and international passenger transport sector.
- b. Entrepreneurship hotel sector enterprises and travel agencies.
- c. Small and medium-sized business enterprises that are closed due to austerity measures.

2. To be excluded until the return of normality by:

- a. Fiscal liabilities (profit tax, VAT, social security, income tax and withholding tax) for all enterprises, whose revenues in March 2020 are **20% less** than the average of February and January 2020.
- b. Apply a **20% reduction** in the price for electricity and water supply to all enterprises in the manufacturing sector. OSHEE and UKT not to exert pressure to make timely payments and not to apply interest on arrears for payments of water and electricity bills.
- c. Obligations of the accommodation/hotel sector for the local tax (lek /bed) as well as all other local taxes related to private enterprise assets.
- d. All obligations from local taxes for passenger vehicles as well as for the premises that are used and serve for the development of business activity, even if these premises are with a lease contract and not only owned by the enterprise itself.
- e. Subsidy of 50% of the rental value for all enterprises suspended from austerity measures for March and April.
- f. For passenger transport vehicles, the validity of insurance and taxes should be postponed for a period equal to the duration of the suspension of the activity, but not less than 3 months.
- g. Automatically postpone for a period of 3 months the validity of all authorizations or licenses that the private enterprise possesses in the exercise of the activity.

3. To be exempted from all obligations of point 2 and to be compensated by the Albanian government the salaries of all employees of companies, whose income in March 2020 is **30% less** than the average of January and February 2020. (In case the companies have not made cuts of more than **10%** of the workforce).

4. The sovereign guarantee, made available to private enterprise, must be unlimited and meet all the requirements of private enterprise that have a decrease in revenue in March 2020 of more than **20%** of the January average and February 2020, including agricultural, livestock and fishing enterprises.

These enterprises apply for loans only:

- *for the liquidation of employees' salaries*
- *for the liquidation of suppliers*
- *for working capital.*

Sovereign guarantee must be provided:

- a. With an interest rate of no more than 0.2%.
- b. Repayment of this loan will start in January 2021, always, if we are in the phase of return to normality.
- c. The monthly repayment rate should not be higher than 20% of the monthly profit realized by the borrowing company.

5. Review the budget in an accelerated procedural manner, giving up investments and non-basic public services in accordance with the state of natural disaster, in order to create the appropriate financial instruments to cope with the Covid-19 situation.

6. The Albanian government (central government and local government institutions), to take measures to liquidate all obligations to private busines, within April 2020, as well as to timely repay all obligations arising from public works and services contracts, that are not canceled with or without a budget review.

7. To be automatically accepted by the lending financial sector the request of the private business as a borrower for rescheduling of credit risk (extension of the term of at least 3 months) and depending on the situation of the austerity measures.

8. For all donations that the Albanian entrepreneurship will undertake to help cope with the situation Covid -19, we ask for their recognition as a deductible expense from the fiscal system.

The approval of the above requirements, proposed by all the representative bodies of the private business, will bring a relief of the situation by making possible the rapid recovery of the economic activity.

Hoping for the cooperation and coordination of the government you represent, the Albanian Chamber of Commerce and Industry system, as well as all private business associations in Albania, are committed to being part of the roundtables and technical debate so that the Albanian government draft a supportive financial package for the benefit of private business and the Albanian economy as a whole.

The President of the Union of Chambers of Commerce and Industry of Albania, Mrs. Ines Muçostepa, also represents the rights of this union of chambers of commerce and business associations that support this financial package.

ARGUMENTS REPORT

Regarding the proposal of the first point:

The austerity measures adopted to prevent the spread of covid-19 virus, have been felt in particular in the tourism, transport and small business sectors. Moreover, the tourism sector was just recovering from the aftermath of the November 26 earthquake, which dealt a severe blow, especially to hotels on the coast.

Also, the paralysis of transport as a result of austerity measures has caused and continues to cause great financial losses for all operators.

Closing the economic activity has put the small and medium business to test and to being more sensitive to these situations.

Given the specific particularity of these sectors, they need a great deal of attention from the Albanian government.

Regarding the proposal of the second point:

All sectors of the economy are closely linked.

We demand that until the return of normality in the country, to be combined fiscal facilities, postponement and in special cases the cancellation of certain business obligations, rescheduling of profit tax, VAT, social security, income tax and source tax, for all companies whose revenues in March 2020 are **20% less** than the average in February and January 2020.

To help the business, we ask to the state to consider these vital requirements for the continuation of businesses, as the decline in production and the blocking of their activity will soon translate into a decline in budget revenues and an increase in the public deficit.

To ensure continuity, although with reduced staff, businesses require from the Electricity Distribution Operator (OSHEE), uninterrupted supply, as well as price reduction to 20% discount for electricity supply and a reduction in the supply price of water for all companies in the production sector.

Similar precedents occurred in the Republic of Northern Macedonia.

Moreover, in order to create as little facility as possible in dealing with this situation, it is necessary to subsidize 50% of the rent for all those enterprises that have suspended their commercial activity in compliance with austerity measures.

Prolonging these measures in time by blocking their activity will naturally lead to large financial losses, so it is necessary to have the support of the Albanian government.

Regarding the proposal of the third point:

The difficulties that the business is facing will be directly reflected in its employees.

The inability to meet business obligations as a result of austerity measures requires immediate government support.

Currently, the Albanian government has provided in the auxiliary economic package only for businesses with turnover up to 14 million leke, promising a salary for the self-employed and the self-declared family member of the self-employed.

Regarding the above, it is necessary to create facilities for all those businesses whose income of March 2020 is 30% less than the average of January and February 2020, excluding from all fiscal obligations (profit tax, VAT, social security, income tax and withholding tax), local taxes as well as compensation from the Albanian government and all employees of these companies, in case the companies have not made cuts of more than 10% of the workforce.

The proposed requirement aims to ensure the necessary liquidity as well as not to jeopardize jobs for entrepreneurial employees who face the challenges of the emergency every day.

Regarding the proposal of the fourth point:

Referring to the economic situation created by the austerity measures, the financial inability of businesses to repay fiscal obligations (taxes/duties and the obligation to consume water and energy), to continuously liquidate the salaries of employees, we propose taking measures to open as soon as possible applications for credit benefit through sovereign guarantee

The sovereign guarantee made available to private enterprise, through the Economic Package approved by the Albanian government, must be unlimited and meet all the requirements of private business that have a decrease in income in March 2020 more than 10% of the average of January and February 2020, including agricultural, livestock and fishing enterprises.

These enterprises should apply for loans, only for the liquidation of employees' salaries, liquidation of suppliers and working capital.

Also, given the fact that in the Emergency Fiscal Package approved by the government in charge of the Republic of Kosovo, among the main points as business support was the provision of credit with 0% interest for businesses that have financial difficulties due to the emergency of public health, we propose that sovereign guarantee be provided at an interest rate of no more than 0.2%.

Given that there is still no forecast of the duration of the austerity measures, we propose that the repayment of this loan be started in January 2021 or within a reasonable time, always if we are in the phase of returning to normality.

The monthly repayment rate should not be more than 20% of the monthly profit realized by the lending company.

Regarding the proposal of the fifth point:

One of the priorities of the Albanian government should be the accelerated revision of the budget, excluding all investments and public services which are considered unfounded in accordance with the declaration of the state of natural disaster.

The budget review should reflect the current situation in the country, suspending or postponing the payment of concession contracts and the cancellation of such projects, for which work has not yet begun, in order to have the necessary funds to facilitate the resumption of economic activity in the country.

Regarding the proposal of the sixth point

Among other things, chambers of commerce and private business associations require the Albanian government, specifically from central government institutions and local government institutions, to take measures to liquidate all liabilities to private business within April 2020.

Timely repayment, of all liabilities arising from contracts of public works and services that are not canceled with or without budget review.

Referring to the models of intervention with financial packages in the economy by different governments and their approach to coping with the situation created by covid-19 pandemic, it is important that, in addition to the implementation of the economic package as soon as possible, the Albanian government should engage in repayment of all obligations to the private business, to ensure sufficient liquidity in mitigating the consequences of coercive measures.

Regarding the proposal of the seventh point

In the conditions of interruption of normal activity of commercial activity of private business and financial inability to repay fiscal obligations, it is necessary to accept the claim of the business as a borrower for credit risk reschedule and postponement for at least 3 months and depending on the continuity of austerity measures.

As a result of this situation, with a significant decline in collection, all businesses face difficulties in liquidating liabilities to banks.

Therefore, we request the acceptance of the request for postponement of loans of each subject and the avoidance of procedural and bureaucratic obstacles in providing this service to businesses affected by austerity measures.