

International Property Markets Scorecard

Albania Market Conditions – Desktop Survey October 2020



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Scorecard Background & Information

The Scorecard reflects the status of the six Core Elements necessary for transparent and efficient property market development. Each Core Element includes three Lead Indicators that are further divided into Sub-Indicators. Colors signify the strength of institutions that support market development – very strong, strong, weak and very weak.

Acknowledgement

The International Property Markets Scorecard Project is the latest development in the continued cooperative work between the Center for International Private Enterprise (CIPE) and the IHC Global. The Scorecard derives from the work of an academic panel led by Richard Green, PhD., Director of the University of California’s Lusk Center for Real Estate and the University of Denver, Burns School of Real Estate and Construction Management’s Global Real Estate Project under the direction of Dr. Mark Lee Levine.

This Scorecard research was conducted by William Endsley, Principal, World Citizen Consulting, LLC.

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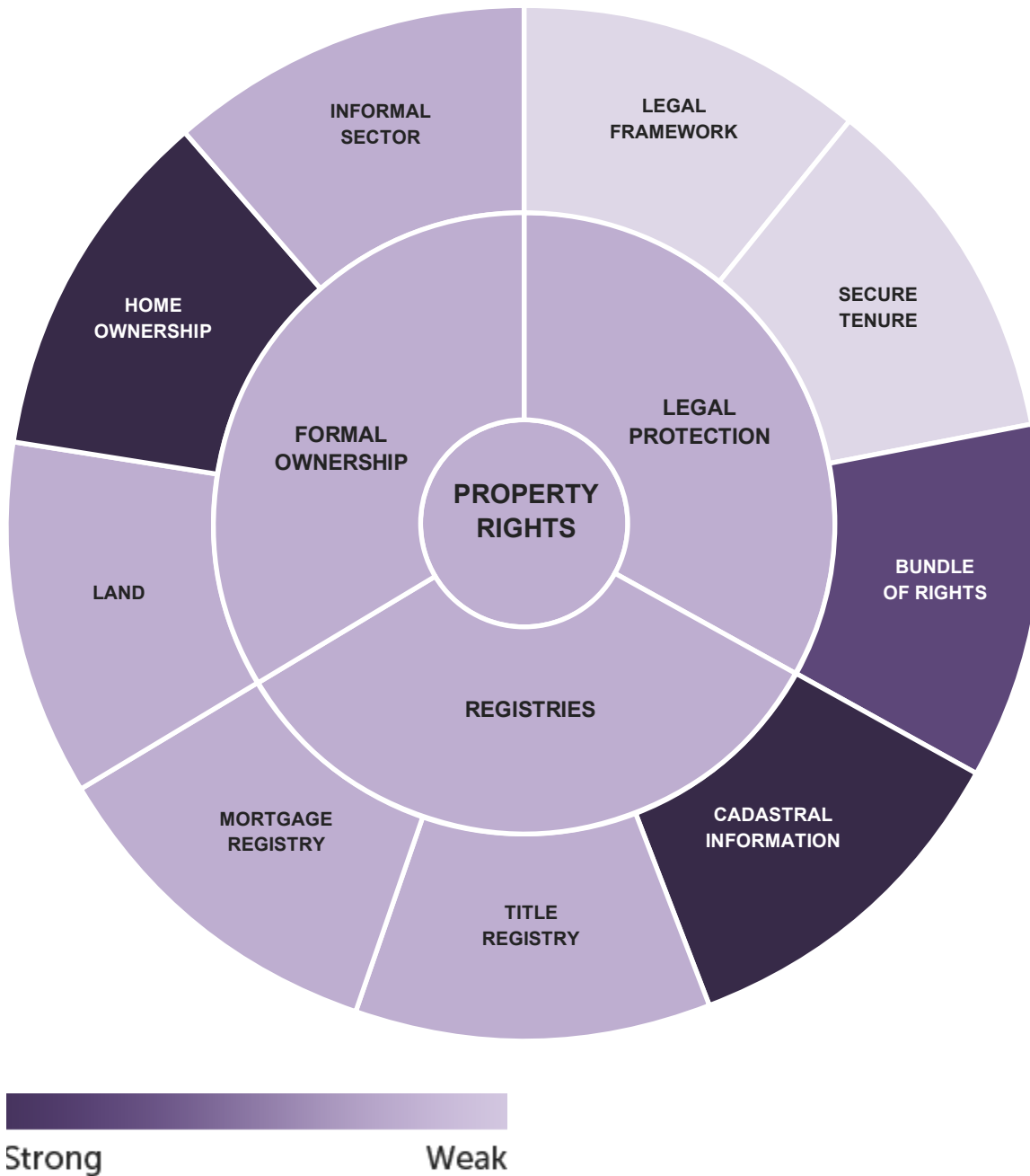
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1. Property Rights



Goal – Property rights that are legally protected, secure, recorded in a single, accurate, widely accessible electronic registry and that lead to high levels of formal ownership for all citizens

1.1 Legal Protection

Core Question:	Does an effective and sufficient legal framework exist to protect property rights for all citizens? No – Weak, clear title is difficult to obtain. There have been instances of individuals allegedly manipulating the court system to obtain illegal land titles. Overlapping property titles is a serious and common issue.
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Legal Framework

1.1.1 Are property rights clearly defined and protected by law? **No – Very Weak – Ranking 112th out of 141; Score 41.7 out of 100; Trend ↑**

Security of Tenure

1.1.2 Can citizens challenge the legality of government takings? **No – Very Weak – 133th out of 141; Score 2.3 out of 7; Trend ↓**

Source: *Global Competitiveness Report 2019*– World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

Bundle of Rights

Survey Question

SQ1 What is the bundle of rights (group of rights such as occupancy, use and the right to sell or lease) associated with both residential and commercial property ownership? **Strong – Under Albania’s Civil Code, land may be privately owned or owned by the state. Land that is privately owned may be freely bought, sold or leased, and landowners have the right to exclusive possession and use of the land.**

Source: US State Department 2020 Investment Climate Statement
www.state.gov/reports/2020-investment-climate-statements/albania/

1.2 Registries

Core Question:	Does a reliable property registry exist including cadastral, title and mortgage lien information? No – Weak, real estate registration procedures are cumbersome and subject to demands for bribes.
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1.2.1 Cadastral Information

Status – Very Strong

Survey Questions

- SQ 2 Is cadastral information (information about the dimensions and location of land parcels) accessible to the public? **Yes**
- SQ 3 Is zoning/permitted use information included and are regulations respected and enforced? **Yes**
- SQ 4 Are Geographic Information Systems (GIS) including Global Positioning Satellite (GPS) information used to create and update the registry? **Yes**
-

Source: World Bank Land Administration and Management Project: Albania
<http://www.worldbank.org/en/results/2014/06/24/albania-property-rights-just-a-click-away>

1.2.2 Title Registry

Weak – Ranking – 98th out of 190 Trend ↑

- 1.2.2.1 What is the number of procedures required to register the transfer of a property from one owner to another? **5**
- 1.2.2.2 What is the duration of time in calendar days that it would take to complete the transfer? **19**
- 1.2.2.3 What is the total cost of the transfer including all fees, taxes, etc. expressed as a percentage of the value of the property? **8.9%**
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Source – *Doing Business 2020* – Registering Property
<https://www.doingbusiness.org/en/data/exploreconomies/albania#>

1.2.3 Mortgage Registry

Status – Weak

Survey Questions

- SQ 5 The mandatory use of notaries or similar officials slows down and adds cost to the process. Does a notary need to be involved in the registration process? **Yes**
- SQ 6 Is information in the registry available electronically? **Yes**
- SQ 7 Title insurance is indemnity insurance against financial loss from defects in title and from the invalidity or unenforceability of mortgage liens. Is title insurance available to lenders? **Yes, from international providers.**
-

Source: State Cadastre Agency <https://www.ashk.gov.al/>

1.3 Formal Ownership

Core Question:	Do citizens understand and trust property rights institutions and avoid the informal sector? No – Weak – however the government is taking steps to strengthen property rights, including continuing a national project to register all property and to regularize the significant number of informal landholdings in urban and peri-urban areas.
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Survey Questions

1.3.1 Land

SQ 8 What is the status of land ownership? **Weak – the compensation process for land confiscated by the former communist regime continues to be cumbersome, inefficient, and inadequate.**

Source: US State Department 2020 Investment Climate Statement
www.state.gov/reports/2020-investment-climate-statements/albania/

1.3.2 Home Ownership

SQ 9 What is the percentage of formal home ownership? **75% - Very Strong, approximately 25% of the urban population lives in informal settlements and the settlements constitute 40% or more of urban construction.**

Source: USAID Land Links Portal www.land-links.org/country-profile/albania/

Informal Sector

1.3.3 What is the percentage of services firms that report competing with unregistered or informal firms? **Large – 44.7% Weak**

Source: *Enterprise Surveys*, World Bank
www.enterprisesurveys.org/en/data/exploreconomies/2019/albania

In-Country Assessment Information

Resources:

USAID Mission www.usaid.gov/albania

World Bank www.worldbank.org/en/country/albania

[NOTE: This is a Desktop Scorecard conducted from internet research from the sources cited. Scores need to be verified and the suggested Field Questions below answered by an in-country partner conducting interviews and on the ground verification of actual transactions and the experience of stakeholders. Field Questions can be modified or added to address additional policy goals or partner objectives.]

Field Question (FQ) 1 Even if legal provisions exist, what is the actual status of property rights and ownership for small businesses?

FQ 2 Are standard leases used for commercial space? If not, what is a typical arrangement for rental?

FQ 3 What are the processes for government expropriation of property especially notice and due process for owners? Are those laws followed or do expropriations happen by collusion between officials and connected elites?

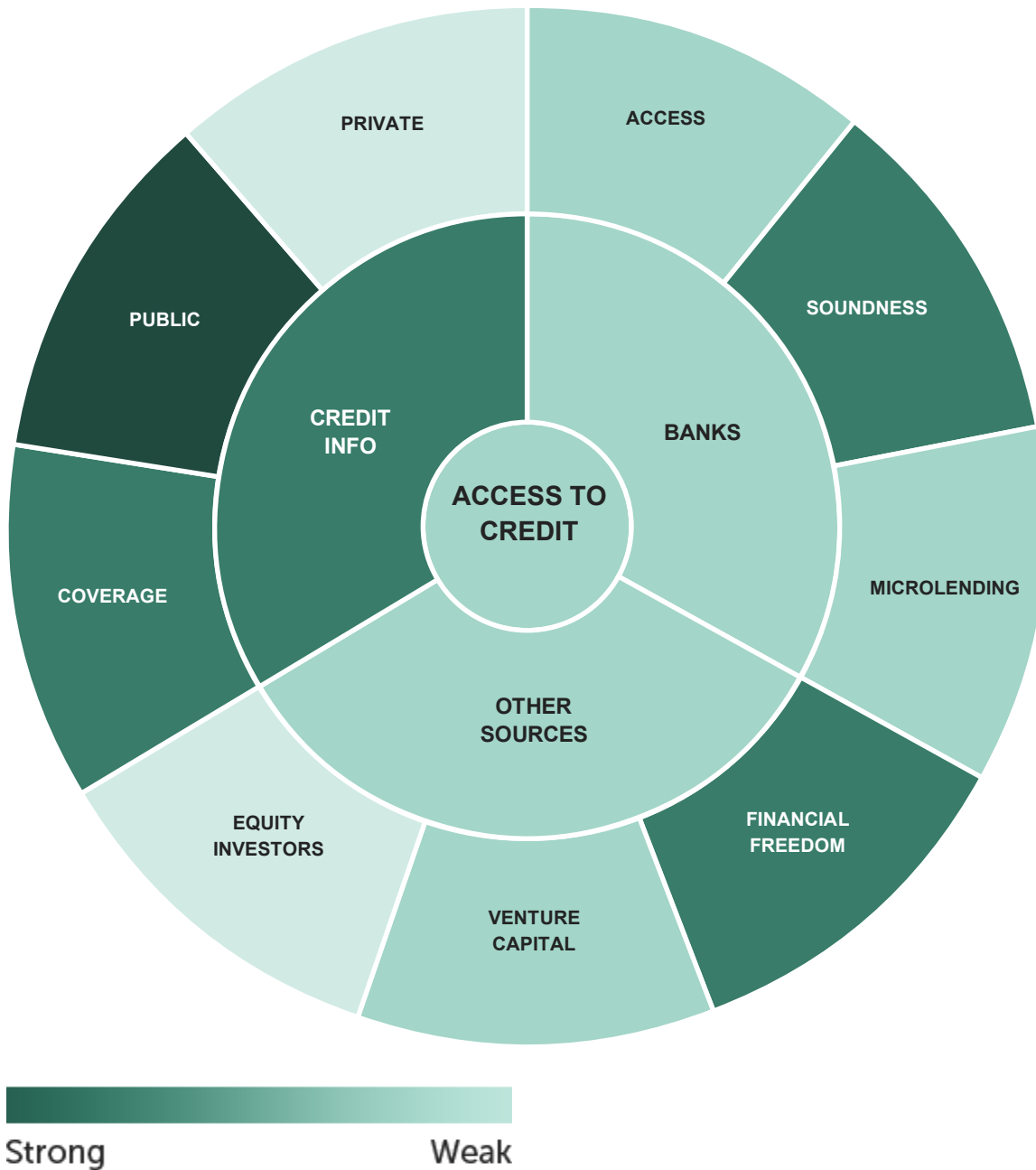
FQ 4 Are businesses owners compensated fairly when their property is taken for public use?

FQ 5 What protections do businesses have who lease space from arbitrary eviction by owners?

FQ 6 What is the actual experience of transferring a property, accessing the registry and dealing with registry officials?

FQ 7 How large is the presence of informal markets for goods, i.e. itinerate vendors?

2. Access to Credit



Goal – An efficient, transparent financial sector that provides a broad range of citizens with access to multiple forms of competitive credit so that they can start businesses, build wealth, and purchase property

2.1 Banks

Core Question:	Are traditional banking services robust and extensive enough to serve the needs of the population to help them build wealth and purchase property? No – Weak, the financial system remains relatively stable. The banking sector is well provisioned, but the share of nonperforming loans has been rising.
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Access

2.1.1 How easy is it to obtain a bank loan? **Weak – Ranking 89th out of 141; Score 38.2 out of 100; Trend =**

Soundness

2.1.2 How sound are the country's banks? **Strong – Ranking 53rd out of 141; Score 5.4 out of 7; Trend ↓**

Sources: *The Global Competitiveness Report 2019*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

2.1.3 Microlending

Status – Weak, few institutions and most are poorly rated for transparency and reporting.

2.1.3.1 Microfinance allows citizens without traditional creditworthiness to build a credit history. How many microfinance institutions are operating in the country? **7**

2.1.3.2 What is the number of active borrowers per institution? **Unknown**

Source: Microfinance Information Exchange www.mixmarket.org/mfi

2.2 Other Sources

Core Question:	Are entrepreneurs free to raise capital outside the banking system including venture capital and/or by issuing stock in a well-regulated stock exchange? No – Weak, the country does not have an effective stock market, so the country's banking sector is the main channel for business financing.
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Financial Freedom

2.2.1 How much control does the government exert over financial services? **Strong for entrepreneurs – Score 70 out of 100 – Moderately free Trend =**

Source: *Index of Economic Freedom 2020*, Heritage Foundation
<http://www.heritage.org/index/country/albania>

Venture Capital

2.2.2 How easy is it for entrepreneurs to find venture capital?
Weak – 81st out of 141; Score 3 out of 7; Trend ↑

Equity Investors

2.2.3 How easy is it to raise money by issuing shares on the stock market? **Very Weak – 125th out of 141; Score 0 out of 100; Trend =**

Source: *The Global Competitiveness Report 2019*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

2.3 Credit Information

Core Question:	Is comprehensive credit information available through public and private credit bureaus? Yes – Strong, the Central Bank’s Credit Registry is functioning well.
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Overall Ranking 48th out of 190 Trend =

Coverage

2.3.1 What is the depth of information available in credit bureaus? **Strong – Score – 6 out of 8 with a higher number indicating more information is available**

Public

2.3.2 What is the extent of public credit registry coverage? **56.2% - Very Strong**

Private

2.3.3 What is the extent of private credit registry coverage? **Very Weak – No private registry**

Source: *Doing Business 2020– Getting Credit*, World Bank
www.doingbusiness.org/en/doingbusiness

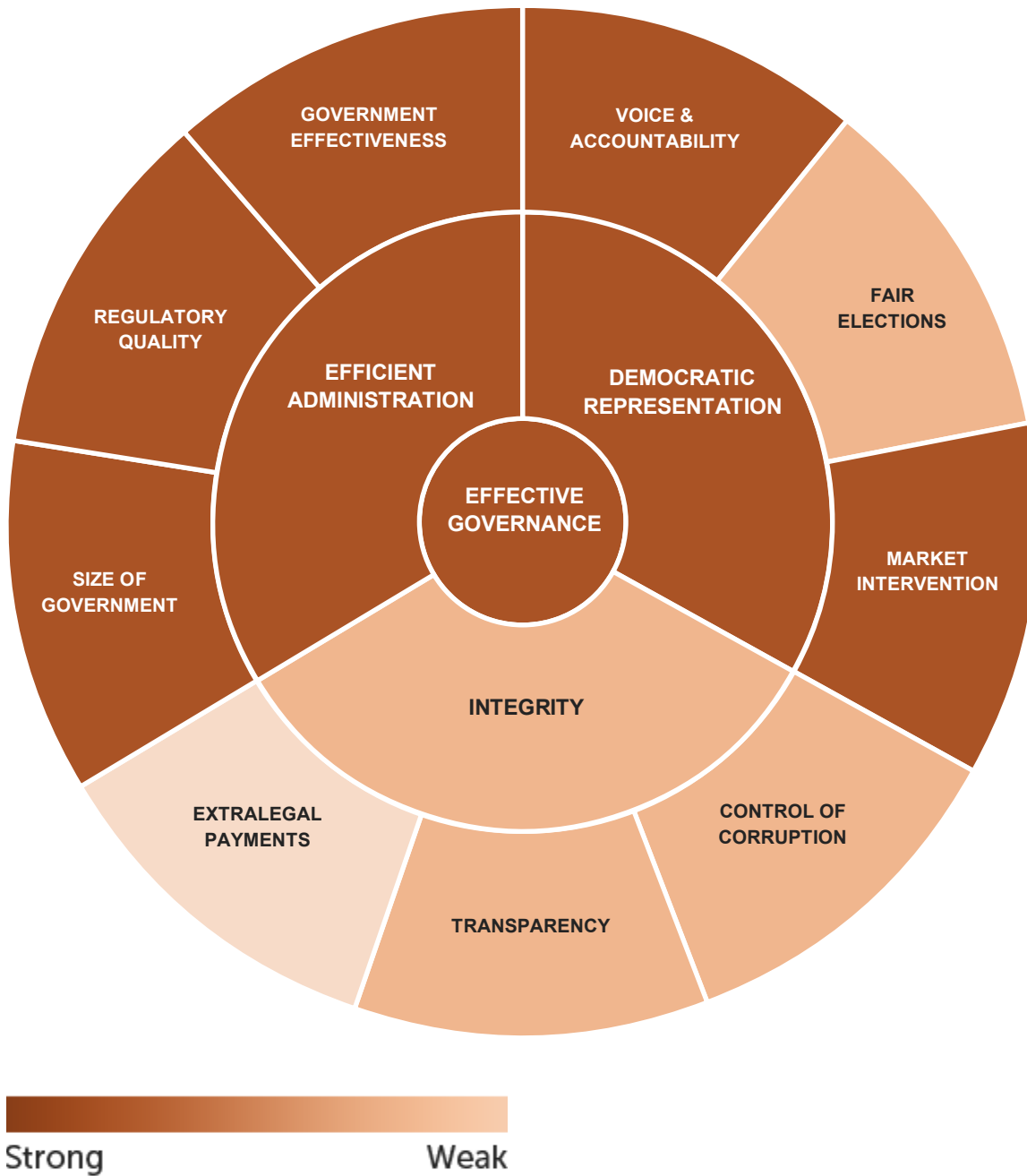
In-Country Assessment Information

Resources

International Monetary Fund www.imf.org/en/Countries/ALB

- FQ 8** **How available are mortgage loans for purchasing commercial property (office, retail, industrial and logistics), who is the typical user and what are the prevailing trends?**
- FQ 9** **What are the interest rates, term and loan-to-value ratios?**
- FQ10** **In addition to microloans, to what extent are microenterprises (5 or fewer employees) active in the country? Approximately what percentage are formally registered firms?**
- FQ11** **What services other than loans such as insurance, funds transfers, and business development training are available from microfinance organizations for formal businesses?**
- FQ12** **What professional financial services are available outside state owned banks including insurance, credit cards and investment management?**
- FQ13** **What has been the appreciation (or depreciation) rate for commercial property over the last several years?**
- FQ14** **How available is seed money or angel investors for the start up of small businesses?**
- FQ15** **Do small businesses have access to credit information about potential customers?**
- FQ16** **Can businesses gain access to information about them contained in credit bureaus and correct inaccuracies?**

3. Effective Governance



Goal – A popularly elected government free of corruption and functioning efficiently and transparently enough to guarantee economic freedom to individuals and support equitable property markets

3.1 Democratic Representation

Core Question:	Does the country have free and open elections for the leadership and can citizens engage in free enterprise? Yes – Strong, however Albania’s democratic institutions have not yet achieved the effectiveness and stability required for European Union membership and suffer from recurring political crises.
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3.1.1 Voice & Accountability

3.1.1.1 Are citizens able to elect their government and do they enjoy freedom of expression, association and a free media? **Yes – Strong – Percentile Rank 52 – Trend ↓**

Source: *Governance Matters 2019*, World Bank
<http://info.worldbank.org/governance/wgi/index.aspx#reports>

3.1.1.2 Are citizens free to form political and civic organizations free of state interference and surveillance? **Yes – Strong – Score 7.65 out of 10**

Overall Ranking – 79th out of 167 Trend ↓

Source: *The Economist* Intelligence Unit Democracy Index 2019
https://en.wikipedia.org/wiki/Democracy_Index

3.1.2 Fair Elections

Does the country enjoy a wide range of political rights, including free and fair elections? **No – Weak – Percentile Rank 47 Trend ↓**

Source: Freedom House <https://freedomhouse.org/report/freedom-world/2019/democracy-retreat>

3.1.3 Market Intervention

Overall Freedom Ranking – Strong 57th out of 180 Trend ↓

To what extent does the government control prices? **Score 81.2 out of 100 with a higher score indicating less control – Strong, Moderately free**

Source: *Index of Economic Freedom 2020* – Heritage Foundation www.heritage.org/index

3.2 Lack of Corruption

Core Question:	Is the public sector transparent and free of corruption? No – Weak, Public administration continues to be plagued by inefficiency and corruption.
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Transparency

3.2.1 What is the perceived level of corruption in the country? **Ranking – 106th out of 180; Score 35 out of 100 – Weak Formal Sector, Trend =**

Source: *Corruption Perception Index 2019*, Transparency International
www.transparency.org/en/cpi/2019/results

Control of Corruption

3.2.2 How effective is the government at controlling corruption? **Score 33 out of 100 – Weak Trend ↓**

Source: *Worldwide Governance Indicators 2019*, World Bank
<http://info.worldbank.org/governance/wgi/Home/Reports>

Extralegal Payments

3.2.3 How common is it for firms to make undocumented extra payments to “expedite” services or gain business? **36.1% – Very Weak**

Source: *Enterprise Surveys 2019*, The World Bank www.enterprisesurveys.org/

3.3 Efficient Administration

Core Question:	Are quality services and qualified civil servants available to the public through the efficient use of public money? Yes – Strong, the government has made progress in controlling the budget deficit, stabilizing public debt, and creating a more business-friendly environment.
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Size of Government

3.3.1 What is the size of government relative to GDP? **29.1% - 25 to 30% considered optimum – Strong**

Source: *Index of Economic Freedom 2020*, Heritage Foundation www.heritage.org/index

Regulatory Quality

3.3.2 What is the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development? **Strong – Score 64 out of 100 Trend ↑**

Government Effectiveness

3.3.3 What is the overall effectiveness of the government? **Strong - Percentile Ranking – 50 Trend ↓**

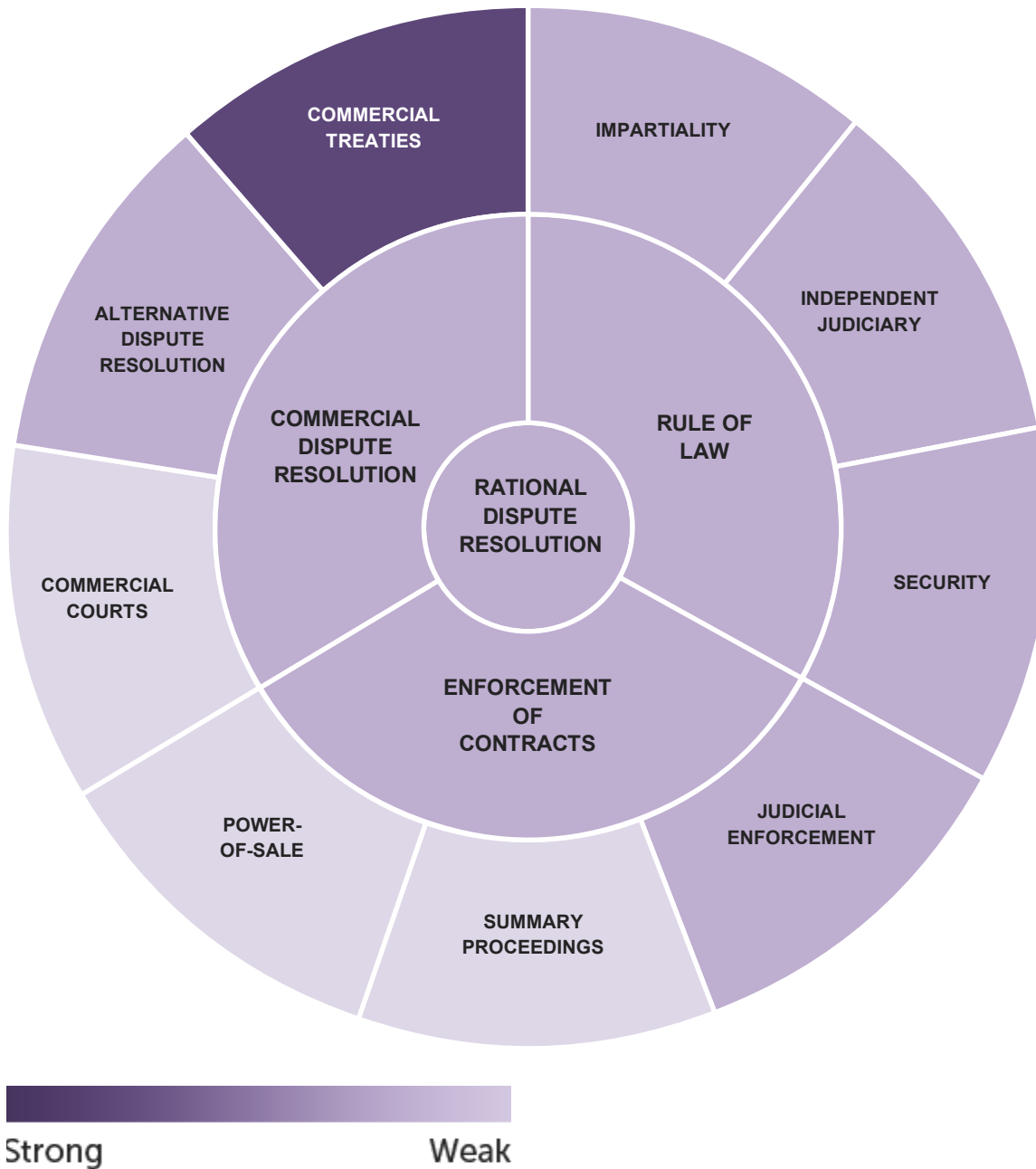
Source: *Worldwide Governance Indicators 2019*, World Bank

<http://info.worldbank.org/governance/wgi/Home/Reports>

In-Country Assessment Information

FQ17 **What is the actual experience of small businesses in dealing with the government, particularly the number and complexity of required procedures and the prevalence of extra payments to facilitate services such as licenses or permits?**

4. Rational Dispute Resolution



Goal – An efficient institutional framework that balances the rights of the public, owners, lenders and borrowers in the event of a dispute or loan default

4.1 Rule of Law

Core Question:	Do all market participants abide by the rule of law and have confidence in the courts and the ability of police to control crime? No – Weak, the judiciary is independent but subject to political pressure, intimidation, and limited resources.
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Impartiality

4.1.1 What is the confidence level of the strength and impartiality of the police, courts and contract enforcement? **Weak – Percentile Ranking – 39 Trend =**

Source: *Governance Matters 2019*, World Bank
<http://info.worldbank.org/governance/wgi/index.aspx#reports>

Judiciary

4.1.2 Can members of the judiciary be held accountable for their actions? **No – Score 33 out of 100 – Weak Trend ↑**

Source: *Index of Economic Freedom 2020*, Heritage Foundation
www.heritage.org/index/country/albania

Security

4.1.3 What is the security situation in the country including crime, terrorism and the reliability of the police? **Weak – Ranking 72nd out of 141 – Score 74.1 out of 100; Trend ↓**

Source: *The Global Competitiveness Report 2019*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

4.2 Enforcement of Contracts

Core Question:	Are systems in place for timely and efficient enforcement of contracts? Commercial – No – Weak, Residential – No – Very Weak
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4.2.1 – Judicial Enforcement

Commercial – Weak – Ranking 120th out of 190 Trend =

4.2.1.1 What is the quality of the judicial process? **Score 7.5 out of 18**

4.2.1.2 What is the time between the filing of a lawsuit and resolution in judicial enforcements? **525 days**

4.2.1.3 What is the cost of judicial enforcements as a percentage of debt value? **42.7%**

Source: *Doing Business 2020 Enforcing Contracts* – www.doingbusiness.org

4.2.2 – Summary Proceedings

SQ 10 Summary proceedings are alternative dispute resolution processes where creditors can apply for a direct court order in property disputes. Are summary proceedings available to lenders? **Not Available – Very Weak**

4.2.3 – Power-of-Sale

SQ 11 Power-of-sale agreements give creditors the power to sell properties after notice to the borrower without court intervention. Are power-of-sale agreements available to lenders? **Not Available – Very Weak**

4.3 Commercial Dispute Resolution

Core Question: Can commercial disputes be resolved efficiently and fairly without exorbitant expense and delay? **No – Weak, the effective settlement of disputes is rare in Albania; the judicial system is viewed by the business community to be slow and inefficient, and a lack of transparency and endemic corruption remain challenges to any settlement process.**

Survey Questions

4.3.1 Commercial Courts

SQ 12 Do specialized commercial courts exist for the handling of property disputes and foreclosures? **No – Very Weak, Civil and Criminal Procedures are handled by the Courts of First Instance.**

Source: NYU Globalex <http://www.nyulawglobal.org/globalex/Albania.html>

4.3.2 Alternative Dispute Resolution

SQ 13 Are alternative dispute resolution mechanisms in place including commercial arbitration, private mediation and community-based processes? **No – Weak, Member of the New York Convention but few trained arbitrators and ADR Centers in place.**

Source: Albania International Chamber of Commerce www.icc-albania.org.al/

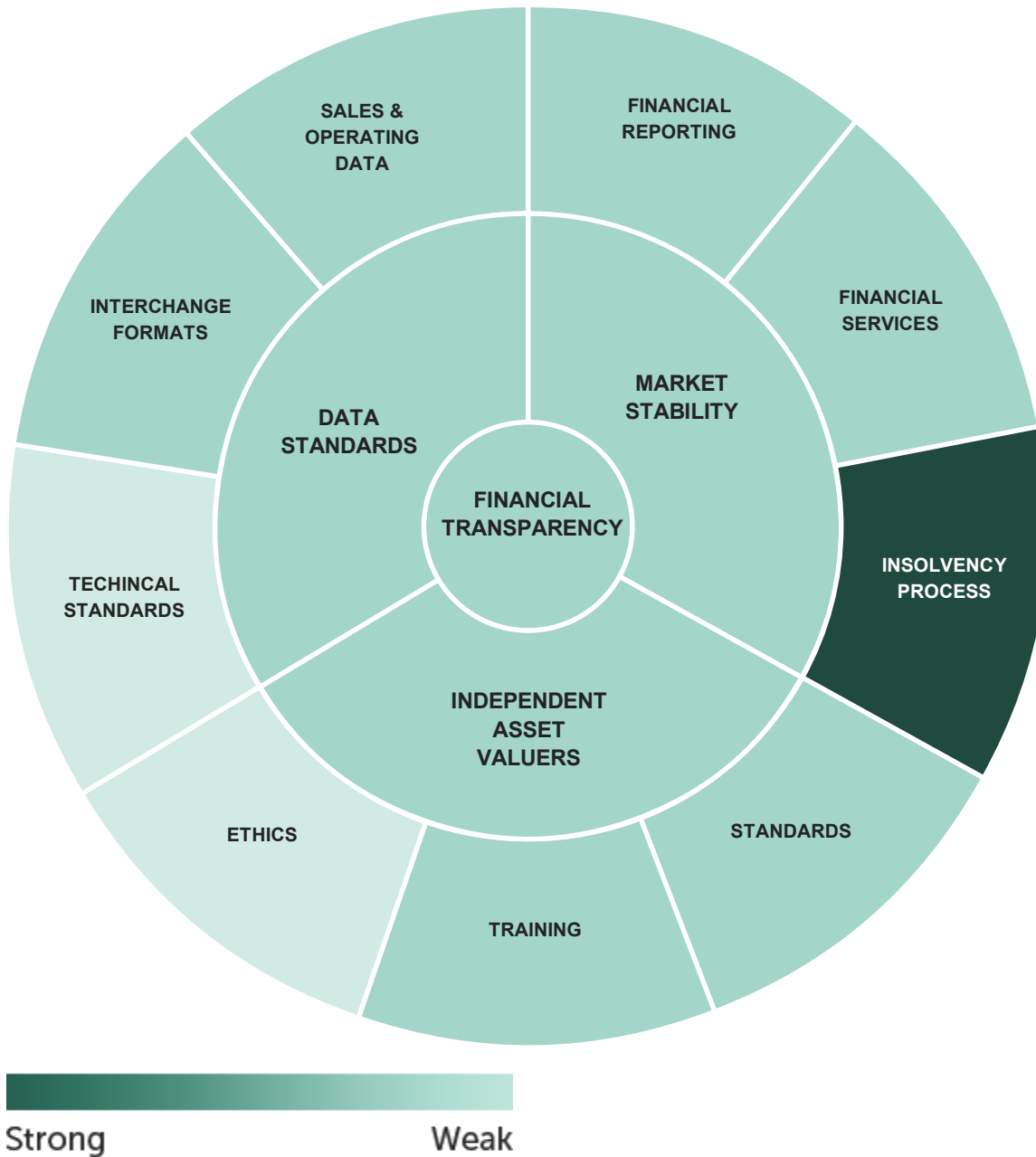
4.3.3 Commercial Treaties

SQ 14 What bilateral, regional and international commercial treaties exist concerning business between countries? **Strong, Member of the Central European Free Trade Agreement, Turkey, Stabilization and Association Agreement with the EU.**

In-Country Assessment

FQ18 To what extent do small businesses trust public institutions to support contract enforcement?

5. Financial Transparency



Goal – A well developed and transparent financial system that includes strong supporting institutions and highly trained and ethical professionals that contribute to effective financial intermediation and deep and broad access to capital and financial services

5.1 Market Stability

Core Question:	Are market risks sufficiently transparent and diversified so that efficient capital allocation can occur? No – Weak, however, thanks to adept policy management and globally accommodative financial conditions, macroeconomic and financial stability have been maintained in spite of recent shocks.
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Financial Reporting

5.1.1 What is the strength of the country's auditing and reporting standards? **Weak – 81st out of 141; Score 4.5 out of 7; Trend ↑**

Financial Services

5.1.2 Does the financial sector provide a wide variety of financial services to businesses? **No Weak – 76th out of 141; Score 3.9 out of 7; Trend ↑**

Source: *The Global Competitiveness Report 2019*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

Insolvency Process

Very Strong – Ranking – 39th out of 190 Trend ↑

5.1.3 What is the average time to complete bankruptcy proceedings? **2 years**

5.1.4 What is the cost of bankruptcy proceedings as a percentage of the estate? **10%**

5.1.5 What is the recovery rate of bankruptcy proceedings? **44.6 cents on the dollar**

Source: *Doing Business 2020* – Resolving Insolvency www.doingbusiness.org

5.2 Independent Asset Valuers

Core Question:	Do trained, independent and ethical asset valuers exist for all types of assets? No – Weak, the Albanian Society of Property Appraisers (SVP) is a member of TEGoVA and is developing National Property Valuation Standards.
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5.2.1 Standards

SQ 15 How easy is it to find a valuer who implements International Valuation Standards? – **Weak – while not a member of IVSC, SVP is working to raise standards and follows European Standards.**

Civil Society Resource: TEGoVA www.tegova.org/

5.2.2 Training

SQ 16 What is the level of training of valuers? – **Weak, however training seminars are organized by SVP.**

5.2.3 Ethics

SQ 17 Are opinions offered by valuers free of influence from parties to the transaction? **Unknown – Very Weak**

5.3 Data Standards

Core Question: Is accurate property information available electronically in formats that are consistent with international standards? **No – Weak, the country is still struggling to recover from the chaotic construction boom after the communist era.**

5.3.1 Sales & Operating Data

SQ 18 Are data aggregation systems available where brokers and agents can widely share contracted real estate listings of properties that are for sale or rent? **No – Weak, internet sites exist, but data is not standardized, verified or maintained.**

Source: www.albania-estate.com/en/; <http://albanian-property.com/>;
<http://albaniapropertygroup.com/en/>

SQ 19 Do resources exist for obtaining building income and expense estimates? **No – Weak**

Civil Society Resource: Institute of Real Estate Management <http://irem.org/>

5.3.2 Interchange Formats

SQ 20 Do electronic data interchange formats conform to international standards (eBXML – electronic business using extensive markup language)? **No– Weak**

Civil Society Resource: Open Standards Consortium for Real Estate International
www.oscre.org

5.3.3 Technical Standards

SQ 21 Do building codes and office building measurement standards (ANSI/BOMA Z65.1) conform to international standards? **No – Very Weak, the 2019 earthquake proved illegal construction is widespread.**

Civil Society Resource: BOMA International www.boma.org

In-Country Assessment

Valuation Profession

FQ19 **How many independent valuers exist in the market? Can small businesses obtain fair valuations for property they want to buy or sell?**

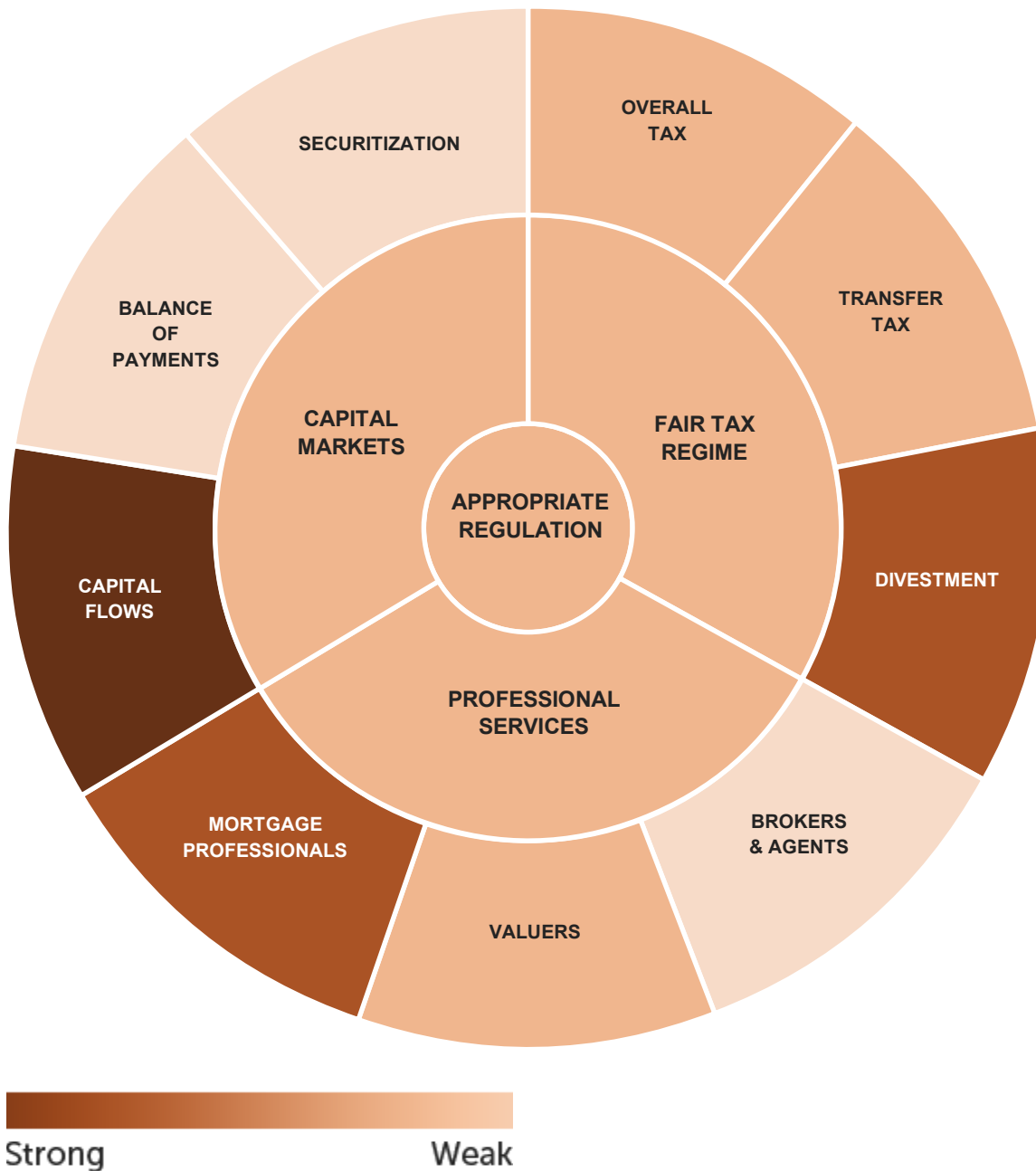
FQ20 **What are the valuation standards and do they conform to international and regional standards?**

FQ21 **What valuation methods and techniques are used in the market?**

Data Availability

FQ22 **How available is information for commercial properties that are for sale or that have been sold?**

6. Appropriate Regulation



Goal – A comprehensive regulatory regime that is transparent, efficient, simple in its implementation and that leads to accurate reporting of property values and prudent protection from market risks

6.1 Fair Tax Regime

Core Question: Do market participants feel the overall tax rate is fair and participate in formal transactions? **No – Weak – while tax rates are favorable for foreign investors, high internal tax rates discourage participation in the formal system.**

Transfer Tax

6.1.1 What is the total property transfer tax including all duties and payments? **8.9% - Weak Trend ↑**

Overall Tax

6.1.2 What is the overall tax rate on entrepreneurs (as a percentage of profits)? **36.6% – Ranking – 123rd out of 190, Weak – Trend ↑**

Source: *Doing Business 2020* – Paying Taxes & Registering Property, World Bank
www.doingbusiness.org

6.1.3 Divestment

Survey Question

SQ 22 What is the tax on profits for foreign investors when divesting property? **15% profits tax – Strong, Foreigners can purchase private residential land and commercial land (but not agricultural land).**

Source: US State Department Investment Climate Statement
www.state.gov/reports/2020-investment-climate-statements/albania/

6.2 Professional Services

Core Question: Are the professional services necessary for efficient and transparent property markets available and appropriately regulated and supervised? **No – Weak, although the percentage of registered property is high, the vast majority of subsequent property transfers are informal and are not registered. Reasons for avoiding the official registration system include poor quality service, high notary fees, and multiple demands for informal payments.**

6.2.1 Asset Valuers

Survey Questions

SQ 23 Are property valuers licensed and/or certified by the government? **No – Weak, however the Albanian Society of Property Appraisers is working to develop training for members to become Recognized European Valuers (REV).**

SQ 24 How effective are mechanisms in place to discipline valuers who engage in misconduct? **Unknown – Very Weak**

6.2.2 Brokers & Agents

Survey Questions

SQ 25 Are real estate brokers and agents licensed and/or certified by the government? **No – Very Weak**

SQ 26 How effective are mechanisms in place to discipline brokers or agents who engage in misconduct? **Unknown – Very Weak**

6.2.3 Mortgage Professionals

Survey Questions

SQ 27 Are mortgage professionals licensed and/or certified by the government? **Yes – Strong, professionals are within the banks and regulated by the Central Bank.**

SQ 28 How effective are mechanisms in place to discipline mortgage professionals who engage in misconduct? **Strong**

6.3 Capital Markets

Core Question:	Are capital markets well-regulated and diversified enough to provide financial resources to private-sector entrepreneurs and innovators? No – Weak, although foreign direct investment has increased in recent years, overall levels still remain among the lowest in the region.
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Capital Flows

6.3.1 What are the business impacts of rules on Foreign Direct Investment? **Very Strong – Rank 22nd out of 140, Score 65.8 out of 100.**

Source: *The Global Competitiveness Report 2019*, World Economic Forum
<http://reports.weforum.org/global-competitiveness-report-2019/>

Balance of Payments

6.3.2 What is the country's current account balance as a percentage of GDP? – **(-11.7) Very Weak, Trend ↑**

Source: IMF Country Data Reports www.imf.org/en/Countries/ALB

Securitization

6.3.3 What is the depth of asset-backed securities, mortgage-backed securities, high-yield bonds and highly leveraged loans? **Very Weak – No practice within the country.**

In-Country Assessment

Taxation

FQ23 **What is the level of taxation for small businesses? Are any of those taxes an excessive burden on small businesses? Are any tax discounts provided for small businesses?**

Professional Services

FQ24 **What is the experience of small businesses in dealing with professional property market service providers such as real estate agents, brokers and valuers?**