

# 1 Context

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This chapter offers an overview of Albania's economic developments since the *Competitiveness Outlook 2021*, with a special focus on the economic impact of recent external shocks and economic convergence. The chapter also examines the progress made and challenges encountered in achieving the Sustainable Development Goals. It also recaps the progress made towards EU accession, including the financial and development support provided by the EU for Albania's accession efforts. Altogether, this sets the stage for in-depth examination across 15 policy dimensions in the subsequent chapters, all necessary for sustaining economic competitiveness.

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## Economic context

### **Key economic developments**

**Albania's economy has displayed a high level of resilience and is expected to remain robust in the face of successive shocks in the past four years**, which include the December 2020 earthquake, the COVID-19 pandemic, and economic fallout from the Russian Federation's war of aggression against Ukraine (see Box 1.2). Despite a 3.3% decline in GDP in 2020, Albania experienced a strong recovery of 8.9% in GDP growth in 2021, followed by slowed growth of 4.9% in 2022 (European Commission, 2024<sup>[1]</sup>; World Bank, 2022<sup>[2]</sup>). Projections indicate that this trend will persist into 2023 and 2024, with growth rates expected to ease to 3.6% and 3.3%, respectively (IMF, 2024<sup>[3]</sup>). Services, led by a significant contribution from tourism and construction, continue to be the main growth drivers in terms of output (World Bank, 2023<sup>[4]</sup>). Private consumption has also contributed to growth, increasing by 7.4% in 2022 due to increased employment and wages (European Commission, 2024<sup>[1]</sup>). Investment, on the other hand, has made a declining but positive contribution to GDP growth, dipping from 4.6% in 2021 to 1.7% in 2022 (World Bank, 2023<sup>[4]</sup>).

**Inflation remained moderate from 2019 to 2021 and is expected to decline gradually as the Bank of Albania continues to tighten its monetary policy stance.** As a result of Russia's war of aggression against Ukraine and rising international food and energy prices, inflation peaked at 6.7% in 2022 (Table 1.1). Downward pressures from lower import prices, domestic currency appreciation, and monetary policy normalisation, however, eased inflation to 4.3% in 2023. This trend is expected to continue, with Albania anticipated to meet its 3% target by early-2025 (IMF, 2024<sup>[5]</sup>). Interest rates have increased considerably over the period to slow inflation, from 0.5% in March 2020 to 3.25% in November 2023 (European Commission, 2024<sup>[1]</sup>; Bank of Albania, 2024<sup>[6]</sup>).

**Amid challenges presented by informality, labour shortages and skills gaps, Albania's labour market has improved, with employment increasing by 4.8% over 2021 to 2022** (European Commission, 2024<sup>[1]</sup>). Labour force participation rates also increased, from 59.8% to 62.4% over the same period (International Labour Organization, 2024<sup>[7]</sup>). Youth unemployment continued to remain high despite a slight decrease from 20.9% in 2020 to 20.7% in 2022 (World Bank, 2023<sup>[4]</sup>). The increase in employment has also been accompanied by an increase in wages, with wage growth consistently rising in 2021 and 2022, by 6.3% and 8.2% respectively. These upward trends reflect positive developments in addressing informality, which measured at 37% in 2021 and is a persistent issue that restricts employment growth and has an overall negative impact on the economy (OECD, 2022<sup>[8]</sup>).

**Albania's external sector has made a strong recovery following the pandemic, largely owing to its services exports, backed by tourism. As of 2022, travel comprised 59% of Albania's services exports** (UNCTAD Statistics Division, 2023<sup>[9]</sup>). After a notable decrease from 31.3% of GDP in 2019 to 22% in 2020, Albania's total exports rebounded strongly due to the resurgence of tourism (World Bank, 2024<sup>[10]</sup>) (Box 1.1). Total exports recovered in 2021, accounting for 31.3% of GDP in 2021 and continued to grow, reaching 37.4% in 2022 (World Bank, 2022<sup>[11]</sup>). Inward FDI flows increased from EUR 971 million in 2020 to EUR 1.36 billion in 2022, and have remained consistent in terms of their size to GDP (UNCTAD, 2023<sup>[12]</sup>). In 2022, Albania's largest investment inflows came from the Netherlands, Italy and Germany (UNCTAD, 2023<sup>[12]</sup>). Personal remittances also increased from 2020, reaching EUR 1.66 billion in 2022 (World Bank, 2022<sup>[13]</sup>). External inflows from tourism and FDI and an increase in policy rates have led to a continuous appreciation of the Albanian lek against the euro in recent years (European Commission, 2024<sup>[1]</sup>). Albania's current account deficit narrowed to 6% of GDP in 2022 (European Commission, 2024<sup>[1]</sup>; World Bank, 2023<sup>[4]</sup>).

**The government's fiscal position also improved following the shocks of 2019 and 2020, with a steadily improving fiscal balance into 2022 and a positive primary balance of 0.13% as of 2023** (IMF,

2024<sup>[14]</sup>). The improved fiscal position was propped up by improved revenues and underspending – particularly in capital expenditures, where only 76.7% of planned expenditures were realised in 2023 (European Commission, 2024<sup>[11]</sup>). Despite an increase in public debt over 2020 and 2021, public debt decreased to 65.4% by 2022, as Albania has been complying with its rule of keeping its public debt-to-GDP ratio declining until it falls below 45% (World Bank, 2023<sup>[4]</sup>).

### Box 1.1. The contribution of the tourism sector to Albania’s recovery

As of 2022, Albania’s economy is predominantly services-based, with tourism comprising a significant contribution to its prosperity (Ministry of Tourism and Environment, 2024<sup>[15]</sup>; IMF, 2024<sup>[5]</sup>). Tourism’s direct contribution to Albania’s GDP is estimated to be between 8.5 and 8.7%, while its indirect contribution is estimated to amount to more than 20% of the Albanian economy (WTTC, 2022<sup>[16]</sup>).

Tourism has been a key contributor to Albania’s success over the Competitiveness Outlook period, as Albania had among the best post-pandemic recoveries in the industry (UNWTO, 2022<sup>[17]</sup>). Albania stood out globally for its resilience in tourism during the pandemic, experiencing an 11% decrease in foreign visitors from 2019 to 2021, leading to its identification as the third-least impacted economy worldwide and the least affected nation in Europe (UNDP, 2022<sup>[18]</sup>). In 2022, its tourism arrivals and revenues largely surpassed pre-COVID levels (UNDP, 2022<sup>[18]</sup>). Approximately 7.5 million people visited Albania in 2022, an increase of more than 32% against 2021, and contributed to 24% of the economy’s GDP (UNDP, 2022<sup>[18]</sup>). Tourism further increased by 35% over 2022 to 2023, with Albania welcoming more than 10 million visitors in 2023 (ABNAse, 2024<sup>[19]</sup>).

**Table 1.1. Albania: Main macroeconomic indicators (2019-23)**

Indicator	Unit of measurement	2019	2020	2021	2022	2023e
GDP growth	% year-on-year	2.1	-3.3	8.9	4.8	2.1
National GDP	USD billion	15.40	15.16	17.93	18.92	n.a
Inflation	% average	1.4	1.6	2.0	6.7	n.a
Current account balance	% of GDP	-7.9	-8.7	-7.7	-6.0	n.a
Exports of goods and services	% of GDP	31.3	22.7	31.3	37.4	n.a
Imports of goods and services	% of GDP	45.0	37.2	44.7	47.8	n.a
Net FDI	% of GDP	7.5	6.7	6.5	6.6	n.a
Public and publicly guaranteed debt	% of GDP	67.9	75.8	75.4	65.4	63.1
External debt	% of GDP	60	64.2	64.2	53.9	n.a.
Unemployment	% of total active population	12	12.2	12.1	11.3	n.a
Youth unemployment	% of total	27.2	30.8	29.7	28.2	n.a
International reserves	In months of imports of G&S	6.5	9.6	8.8	6.9	n.a
Exchange rate (if applicable local currency/EUR)	Value	123	123.74	122.45	118.98	n.a
Remittance inflows	% of GDP	9.6	9.7	9.4	9.5	n.a
Lending interest rate	% annual average	6.28	6.12	6.02	6.51	n.a

Note: G&S = goods and services. “n.a” indicates data is not available.

Sources: European Commission (2024<sup>[11]</sup>); World Bank (2021<sup>[20]</sup>); World Bank (2023<sup>[4]</sup>); EBRD (2023<sup>[21]</sup>); IMF (2024<sup>[22]</sup>); UNCTAD (2022<sup>[23]</sup>).

**Albania’s financial sector has shown increased stability, with a capital adequacy ratio of 18% in 2022** (Bank of Albania, 2023<sup>[24]</sup>), **while nonperforming loans decreased from 8.0% in 2020 to 5.0% in 2022** (World Bank, 2023<sup>[4]</sup>). Amid higher rates, tightening of credit standards by banks especially for businesses, and exchange rate appreciation, credit to the private sector has been slowing, declining from 5.5% in 2021 to 2.9% in 2022 (World Bank, 2023<sup>[4]</sup>).

### Box 1.2. Economic impacts of Russia's war of aggression against Ukraine on Albania's economy

Despite the economic fallout from Russia's war of aggression against Ukraine, which provoked an energy, fuel and food crisis as well as rising inflation globally and in Europe, Albania's economy has shown resilience owing to its strong tourism sector and effective monetary policy against inflationary pressures. Since the start of Russian aggression against Ukraine, Albania's foreign policy has been consistently in line with EU foreign and security policy, including sanctions against Russia (European Commission, 2023<sup>[25]</sup>).

Albania's trade sector has been minimally affected, as trade with Russia and Ukraine comprises a small amount of its trade volumes. As of 2021, trade with Russia amounted to less than 2% (EUR 122.8 million) of Albania's imports and less than 0.01% (EUR 95.55) of its exports (Central European Free Trade Agreement, 2024<sup>[26]</sup>; United Nations, 2024<sup>[27]</sup>). However, Russia accounted for a significant share of Albania's wheat and meslin and fertiliser imports, representing 62% of wheat and meslin and 21% of fertiliser imports as of 2021 (United Nations, 2024<sup>[27]</sup>). Food and fertilisers have been exempt from EU sanctions, and Albania's trade with Russia initially increased immediately after the start of the war, particularly in wheat imports. In 2022, trade with Russia remained low, with imports totalling EUR 91.9 million, about EUR 30 million less than in 2021 (Central European Free Trade Agreement, 2024<sup>[26]</sup>). Prior to the conflict, trade with Ukraine comprised an even smaller but generally increasing share of Albania's total trade volumes since 2015. Albania's exports to Ukraine peaked at EUR 3.16 million in 2020, and declined to EUR 2.26 million in 2022 (United Nations, 2024<sup>[27]</sup>; Board of Governors of the Federal Reserve System (US), 2023<sup>[28]</sup>). Albania's imports from Ukraine amounted to approximately EUR 31.7 million in both 2020 and 2021 and declined slightly to EUR 31.5 million in 2022 (United Nations, 2024<sup>[27]</sup>).

Albania's direct energy needs were relatively unaffected, though inflationary pressures from rising energy prices spilled over into the economy. Albania has no regular consumption of Russian gas, instead relying on hydropower, some solar, and imports of other fossil fuels for its energy needs. To address the socio-economic fallout from energy prices and to further encourage energy transition, the EU's Energy Support Package to the Western Balkans is providing Albania with EUR 80 million in the form of grants and subsidies to vulnerable populations and small and medium-sized enterprises (SMEs) (European Commission, 2023<sup>[29]</sup>).

Tourism to Albania also remained robust in the face of declining arrivals in the region (UNDP, 2022<sup>[18]</sup>). Albania has witnessed a decline in tourism by Ukrainian and Russian nationals, though each comprises less than 1% of yearly foreign visitors to Albania. In 2021, Ukrainian and Russian nationals comprised 1% and 0.7% of total foreign visitors, respectively. The drop in tourism by Ukrainian nationals was significant in the first year of the war, as the numbers decreased from 110 205 to 38 847 over 2021 to 2022. In 2023, tourism by Ukrainian nationals slightly recovered, reaching 73 863 (Ministry of Tourism and Environment, 2024<sup>[15]</sup>). The number of tourists from Russia declined slightly over 2019 to 2022, from 28 832 to 28 284 (UNDP, 2022<sup>[18]</sup>), which is likely to reduce further as a result of Albania not extending seasonal visa-free access to Russian nationals (European Commission, 2023<sup>[25]</sup>).

Sources: United Nations (2024<sup>[27]</sup>); INSTAT (2024<sup>[30]</sup>).

## Sustainable development

**Albania has made moderate progress toward reaching the targets of the 2030 Agenda for Sustainable Development over the assessment period** (Sachs et al., 2023<sup>[31]</sup>). As of 2023, Albania has achieved or is on track to achieve 41.2% of its target indicators and has made some degree of progress in 30.9% of indicators, while performance has worsened across 27.9% of indicators (Table 1.2). Efforts to implement and monitor the SDGs in Albania are positive. The government has mainstreamed SDGs into its national and sectoral plans and tracks SDG achievement on an annual basis, but it has yet to incorporate SDG tagging into national budgeting practices (Braho, 2023<sup>[32]</sup>). Albania has achieved or has maintained achievement of the SDGs in two areas – poverty (SDG 1) and climate action (SDG 13), and is on the track to achievement in the areas of clean water (SDG 6) and reduced inequalities (SDG 10). Progress has been more moderate in the area of affordable and clean energy (SDG 7), though attainment of the goal is nearing. Meanwhile, it has backtracked on its SDG attainment in education (SDG 4), with declining pre-primary and primary enrolment rates (Sachs et al., 2023<sup>[31]</sup>).

**Table 1.2. Albania’s progress towards achieving the SDGs (2023)**

SDG	Current assessment	Trends
1 – No poverty	SDG achieved	On track or maintaining SDG achievement
2 - Zero hunger	Significant challenges	Moderately improving
3 – Good health and well-being	Significant challenges	Moderately improving
4 – Quality education	Challenges remain	Decreasing
5 – Gender equality	Significant challenges	Moderately improving
6 – Clean water and sanitation	Significant challenges	On track or maintaining SDG achievement
7 – Affordable and clean energy	Challenges remain	Moderately improving
8 – Decent work and economic growth	Major challenges	Stagnating
9 – Industry, innovation and infrastructure	Significant challenges	Moderately improving
10 – Reduced inequalities	Challenges remain	On track or maintaining SDG achievement
11 – Sustainable cities and communities	Significant challenges	Stagnating
12 – Responsible consumption and production	Significant challenges	Stagnating
13 – Climate action	SDG achieved	Moderately improving
14 – Life below water	Major challenges	Stagnating
15 – Life on land	Significant challenges	Stagnating
16 – Peace, justice and strong institutions	Major challenges	Stagnating
17 – Partnerships for the goals	Significant challenges	Stagnating

Note: The order of progress (from greatest to least) is as follows: SDG achieved; challenges remain; significant challenges; major challenges. Source: Sachs et al. (2023<sup>[31]</sup>).

**Progress has been strongest and nearing SDG achievement in the areas of clean water and sanitation (SDG 6) and reduced inequalities (SDG 10).** Albania has maintained its performance regarding the elimination of extreme poverty since 2021 (SDG 1). Access to basic drinking water and sanitation services has increased across the population (both above 95%). Meanwhile, the Gini coefficient for inequality has been on a declining trend, thus nearing the national target value of 27.5% (29.4% in 2020) (Sachs et al., 2023<sup>[31]</sup>). Further improvement is needed to increase the share of renewable energy in total final energy consumption and widen access to clean fuels and technology for cooking.

**Health outcomes (SDG 3) remain positive and moderately improving, with 2030 target levels being met across indicators on mortality rates for mothers and children, adolescent fertility rates, and prevalence of new HIV infections.** However, impediments to further progress lie in the decline of vaccination rates among infants and stagnate in the area of universal health coverage. Industry, innovation

and infrastructure is also moderately improving (SDG 9), owing to increased access to the Internet and increasing academic research (Sachs et al., 2023<sup>[31]</sup>).

**Progress is broadly stagnant in the areas of sustainable cities and communities (SDG 11).** While 2030 target levels have been met, the proportion of the urban population living in slums, reducing air pollution, and improving access to piped water, transport and other services remain significant challenges. Further progress is also needed in the area of circular economy (SDG 12) and protection of terrestrial ecosystems (SDG 15). The most significant gaps remain in the areas of decent work and economic growth (SDG 8), marine life (SDG 14), and peace, justice and strong institutions (SDG 16) (Sachs et al., 2023<sup>[31]</sup>). Economic progress and inclusion remain hindered by lack of access to financial resources across the population, high youth unemployment, and lack of fundamental labour rights. Impediments to progress in SDG 16 lie in persistent rates of homicides, corruption, continuance of unlawful expropriation practices, and declining performance in press freedom.

### ***EU accession process***

**Albania's EU accession process began in June 2006, with the signing of its Stabilisation and Association Agreement (SAA).** The SAA entered into force in April 2009, and Albania submitted its application for EU membership in the same year. In 2012, the European Commission recommended that Albania be granted candidate status, contingent upon the implementation of key reforms in areas such as judicial and public administration. In 2014, Albania was granted EU candidate status, allowing for progressive trade liberalisation and mutual duty-free access to most goods.

**Albania's candidacy has advanced, with the EU issuing its recommendation for the opening of accession negotiations in 2018.** In March 2020, the European Council endorsed the decision to accession negotiations with Albania, which officially began at the first Intergovernmental Conference on 19 July 2022. The analytical examination of the EU *acquis* or the "screening" was launched on the same date and has progressed smoothly. Albania has continued to implement the Stabilisation and Association Agreement and the meetings of the joint bodies under the agreement have taken place at regular intervals.

**According to the EU's 2023 enlargement report, Albania has made uneven progress across the political criteria for accession, with its judicial reform having produced good results but public administration reform and public financial management reform are still pending.** Efforts in the areas of corruption, organised crime, fundamental rights, and freedom of expression need to be intensified (European Commission, 2023<sup>[25]</sup>). Its external relations, foreign security and defence preparation showed a good level of alignment with the EU *acquis* and its external positioning maintained "full alignment" with EU decisions and declarations during the CO assessment period.

**Regarding economic criteria, Albania shows an adequate level of preparation to cope with competitive pressure and market forces within the EU,** with progress being made over the previous year on structural reforms in the energy market, transport infrastructure, the digitalisation of the economy and education outcomes (European Commission, 2023<sup>[25]</sup>).

**On 8 November 2023, the European Commission adopted a new Growth Plan for the Western Balkans to improve the level and speed of convergence between the Western Balkans and the EU** (European Commission, 2023<sup>[33]</sup>). Backed by EUR 6 billion in non-repayable support and loan support, the Growth Plan has the potential to boost socio-economic convergence and bring WB6 closer to the EU single market (Gomez Ortiz, Zarate Vasquez and Taglioni, 2023<sup>[34]</sup>; European Commission, 2023<sup>[33]</sup>). The new Growth Plan is based on four pillars, aimed at:

1. "Enhancing economic integration with the European Union's single market, subject to the Western Balkans aligning with single market rules and opening the relevant sectors and areas to all their neighbours at the same time, in line with the Common Regional Market;

2. Boosting economic integration within the Western Balkans through the Common Regional Market;
3. Accelerating fundamental reforms, including on the fundamentals cluster<sup>1</sup>, supporting the Western Balkans' path towards EU membership, improving sustainable economic growth including through attracting foreign investments, and strengthening regional stability; and
4. Increasing financial assistance to support the reforms through a Reform and Growth Facility for the Western Balkans” (European Commission, 2023<sup>[33]</sup>).

The new Growth Plan builds on the existing enlargement methodology and creates a package of mutually reinforcing measures. The aim is to speed up accession negotiations by providing incentives to economies to accelerate the adoption and implementation of the EU *acquis*, while narrowing the economic convergence between the Western Balkans and EU Member States. In that context, the OECD has recently released the *Economic Convergence Scoreboard for the Western Balkans 2023* to track the region's performance in achieving economic convergence towards the EU and the OECD area, and to highlight policy bottlenecks that hinder faster economic growth in a sustainable and inclusive way (Box 1.3) (OECD, 2023<sup>[35]</sup>).

### Box 1.3. *Economic Convergence Scoreboard for the Western Balkans 2023: A spotlight on Albania*

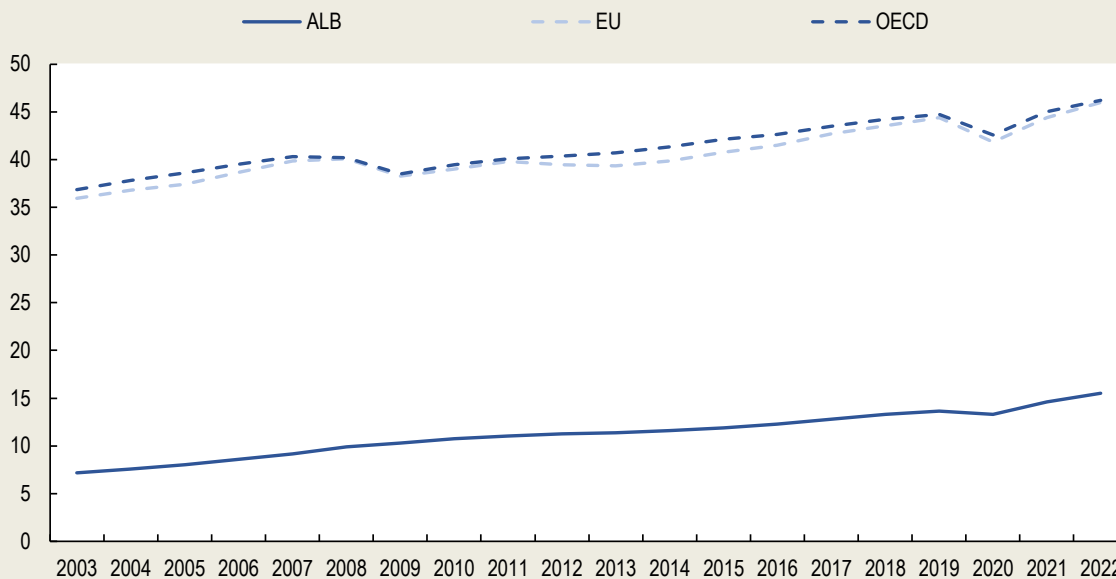
Albania's GDP per capita has more than doubled from 2003 to 2022 compared to the EU's and OECD area's modest increases of 27% and 25%, respectively. Between 2003 and 2022, Albania significantly narrowed the gap in GDP per capita with the EU and OECD area. In 2003 the EU rate was five times higher but by 2022 it had decreased to half that, showing substantial progress. However, Albania's 2022 GDP per capita of USD (PPP international \$) 15 492 (EUR 14 717<sup>1</sup>), compared to the EU's USD 45 978 (EUR 43 679) and the OECD area's USD 46 208 (EUR 43 897), highlights the considerable progress that remains to be made for Albania to align with the EU and OECD, emphasising the complexity of the task ahead.

In this context, the OECD developed the *Economic Convergence Scoreboard* for the first time in 2023, marking the establishment of a recurring monitoring mechanism and dedicated tool designed to evaluate the extent of economic convergence of the Western Balkans with the EU and the OECD area. Prepared to inform discussions at the Berlin Process Western Balkans Leaders' Summit 2023 and grounded in a decade-long series of policy assessments, the Scoreboard offers a thorough analysis of the region's progress across five key policy areas, or clusters, crucial for attaining sustainable and inclusive economic growth. These clusters are *business environment, skills, infrastructure and connectivity, greening, and digital transformation*.


Since 2008, Albania achieved noteworthy advances and minor regressions across the five policy clusters, underscoring not only the adoption of policies in alignment with the EU *acquis* and OECD standards but also their effective implementation. Albania exhibited strong progress in both the *business environment* and *skills* clusters. In the context of the *business environment*, the economy's performance in FDI net inflows from 2018 to 2022 surpasses that of the EU fourfold, reflecting an overall 200% change across three defined periods (2008-12, 2013-17, and 2018-22). Albania also outperforms the EU in small and medium sized enterprises (SME) total exports, showing a consistent increase between 2013 and 2022. Furthermore, Albania is performing near parity with the EU in many areas across the *skills* cluster, including employment rate, PISA average score, lifelong learning, and tertiary education achievement. The PISA average score and tertiary education achievement experienced a notable overall rise in performance over the observed periods relative to the EU, by 12% and 22%, respectively.

**Figure 1.1. Albania's GDP per capita convergence with the OECD area and the European Union (2003-2022)**

In Purchasing Power Parity 2017 USD (thousand)



Source: World Bank (2022<sup>[36]</sup>).

StatLink  <https://stat.link/3ek29x>

By contrast, the *greening* and *digitalisation* clusters require further development. Albania's performance lags behind that of the EU in several key policy outcomes, including CO<sub>2</sub> emissions, renewable energy consumption, water exploitation intensity, and fertiliser consumption. For instance, Albania has witnessed an increase in water exploitation intensity over the observed periods and renewable energy consumption has been steadily decreasing, underscoring the relevance of comprehensive sustainable energy and consumption policy. As for *digitalisation*, Albania must converge by more than double its current rate across several metrics, except for mobile cellular penetration, which is near parity with the EU.

In the context of aligning with OECD standards, Albania has demonstrated consistent progress, albeit with a slight setback in the areas of *Competitiveness Outlook (CO) 2021* agriculture policy and *OECD Services Trade Restrictiveness Index and Digital Services Trade Restrictiveness Index*. Notably, advancements have been made in CO finance, transport and energy policies. Albania's positive development within a majority of OECD good policy practices, standards, and tools indicates a positive influence of the CO 2021 recommendations on Albania's long-term policy development.

1. The 2022 market exchange rate has been used to convert PPP constant 2017 international dollars into EUR

Source: OECD (2023<sup>[35]</sup>).

As part of the new Growth Plan, the Western Balkans have been asked to submit to the European Commission country-specific Reform Agendas listing a number of structural reforms that would need to be implemented in order to access part of the Plan's funding. All Reform Agendas are structured along the same four policy areas: 1) business environment and private sector development, 2) green and digital



transformation, 3) human capital development and 4) fundamentals (of the EU accession process). They replace Economic Reform Programmes' chapter IV on structural challenges, as, going forward, the Economic Reform Programmes will only cover macrofiscal aspects.

### *EU financial and development support*

**Since 2009, Albania has received over EUR 1.3 billion in funding from the EU through the Instrument for Pre-accession Assistance (IPA) providing support for national reform programmes, as well as through dedicated investment packages.** Under IPA I, the EU provided financial assistance to Albania with a total allocation of EUR 594 million for the period 2007-13. IPA II (2014-20) introduced targeted reforms within the framework of predefined sectors. Under IPA II, Albania received total allocated funding of EUR 758.1 million in support for investments, capacity building and reforms in sectors of: Rule of Law, Democracy and Governance, Competitiveness and Innovation, Agriculture and Rural Development, Transport, Environment, Education, Employment and the Social sectors. This includes performance rewards, as well as EUR 115 million that was mobilised to support recovery following the 2019 earthquake (European Commission, 2023<sup>[25]</sup>).

For 2021-23, the IPA III funding for national programmes amounts to close to EUR 250 million for Albania. The IPA 2022 programme covers the areas of environmental protection, strengthening democracy and the judiciary, and support to other reforms to fulfil EU standards and norms. It also includes the dedicated EUR 80 million from the 2023 Energy Support Package immediate measures, 90% of which has already been disbursed, both to support vulnerable families and SMEs facing rising energy prices and to accelerate the energy transition (European Commission, 2023<sup>[25]</sup>). Additionally, through the Economic and Investment Plan for the Western Balkans 2021-27, Albania is expected to benefit from EUR 1.4 billion in investments, out of which EUR 470 million are grants. Flagship investments amounting to EUR 581.1 million are foreseen in the areas of road infrastructure, digital infrastructure, and renewable energy transition (European Commission, 2023<sup>[25]</sup>).

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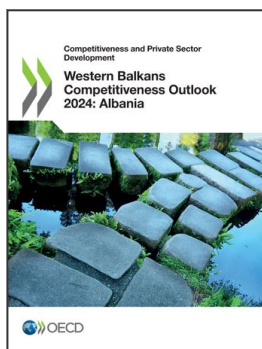
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## Note

<sup>1</sup> In line with Communication on “Enhancing the accession process – A credible EU perspective for the Western Balkans” COM(2020)57, the fundamentals cluster includes: chapter 23 – Judiciary and fundamental rights, chapter 24 – Justice, Freedom and Security, the economic criteria, the functioning of democratic institutions, public administration reform, chapter 5 – Public procurement, chapter 18 – Statistics and chapter 32 – Financial control (European Commission, 2023<sup>[33]</sup>).



**From:**  
**Western Balkans Competitiveness Outlook 2024:  
Albania**

**Access the complete publication at:**

<https://doi.org/10.1787/541ec4e7-en>

**Please cite this chapter as:**

OECD (2024), "Context", in *Western Balkans Competitiveness Outlook 2024: Albania*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/1573ee96-en>

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