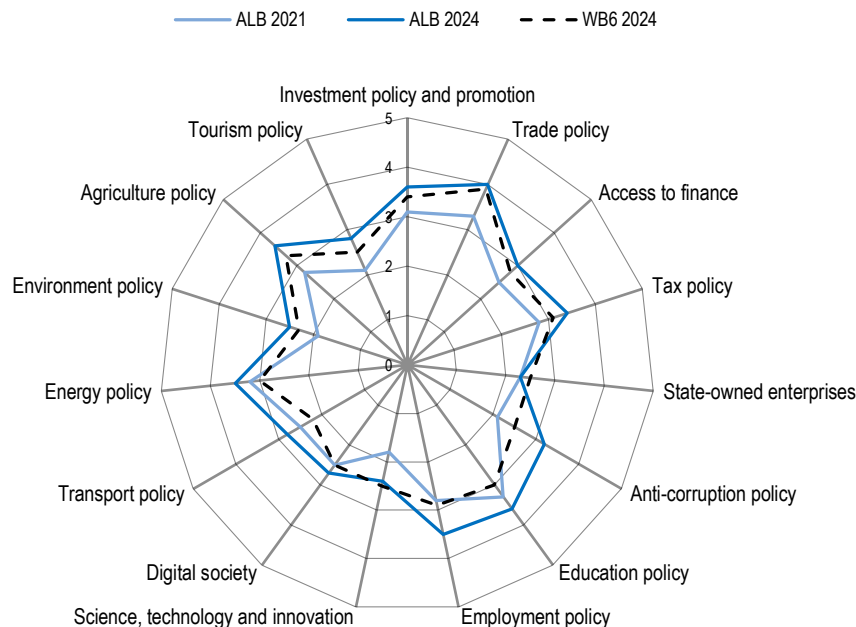


# Executive summary

## Performance overview

Albania has made significant advancements since the 2021 *Competitiveness in South East Europe: A Policy Outlook* (Competitiveness Outlook), positively progressing across 14 of the 15 policy dimensions and stagnating in one, state-owned enterprises (SOEs). Albania experienced the strongest score increases in the areas of anti-corruption, agriculture and employment policies. Figure 1 illustrates that Albania is outperforming the average of the six Western Balkan (WB6) economies across 13 policy dimensions. Moreover, it is the regional leader in several areas, achieving the highest score in anti-corruption, education and employment policies. In contrast, Albania scores under the regional average in both SOEs and science, technology and innovation (STI), which, despite a notable score increase, show significant room for improvement. For additional insights into Albania's performance across various dimensions, trends over time or comparisons with other economies, please refer to the *Western Balkans Competitiveness Outlook Data Hub* at <https://westernbalkans-competitiveness.oecd.org/>.

Figure 1. Scores for Albania across Competitiveness Outlook policy dimensions (2021 and 2024)



Note: Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub, at [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org/) for information on the assessment methodology and the individual score assigned to indicators.

## Main progress areas

The main achievements that have led to increased performance for Albania since the last assessment are as follows:

- **Efforts to prevent and combat corruption have been bolstered due to a comprehensive legal and institutional framework.** Albania's anti-corruption institutions have seen substantial growth in both human and financial resources, empowering them to step up their activities. Between 2018 and 2022, the General Directorate of Anti-Corruption experienced a fourfold rise in its staff count, and the High Inspectorate for the Declaration and Audit of Assets and Conflicts (HIDAACI) witnessed a 40% boost in its annual budget. Moreover, there has been notable progress in convicting high-level corruption cases, with the number of sanctions increasing steadily since 2018. The robust safeguards for the independence of the relevant organisations have played a role in this progress.
- **The agriculture sector increasingly benefits from improved rural infrastructure and information systems, enhancing its productivity.** Substantial investment in the economy's irrigation infrastructure has led to a more than twofold increase in irrigation capacity between 2013 and 2023, reaching 265 000 hectares of irrigated land. Moreover, Albania has made progress in establishing a Farm Accountancy Data Network (FADN), paving the way to assess the effectiveness of agricultural policies and helping to make informed decisions regarding support mechanisms for farmers. With a contribution of 18.4% of gross domestic product (GDP) and 35% of total employment – the largest in the Western Balkans – the agricultural sector stands to gain further from these developments.
- **Efforts to improve the effectiveness of employment policies have produced positive outcomes.** In 2022, Albania recorded the highest activity rate (73.2%) and employment rate (65.0%) in the Western Balkans, with rates approaching European Union (EU) averages (74.5% and 69.8%, respectively). Recent initiatives, such as the establishment of sectoral skills committees and curricula revisions of vocational education and training programmes, have been good steps to address skills mismatches and gaps in the labour market. The government has also increased efforts to boost women's participation in the labour market by expanding coverage of affordable child and elderly care.
- **Advances in environment policy have been achieved through strengthened legislative and policy frameworks.** Albania boasts the lowest greenhouse gas (GHG) emissions per capita in the region (2.7 tonnes of CO<sub>2</sub> equivalent per capita), with levels less than one-third of EU and OECD averages (8.1 and 9.9 tonnes of CO<sub>2</sub> equivalent per capita, respectively). Further strides have been made in enhancing climate change frameworks to align with obligations under the Paris Agreement and EU directives, and in setting targets to mitigate GHG emissions. Moreover, the preparation of the circular economy roadmap reflects the economy's commitment to enhance its framework guiding sustainable resource use, consumption and production.

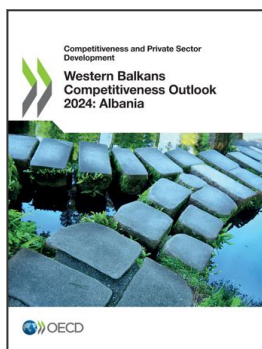
## Policy insights

To further improve its competitiveness and boost its economic convergence with the EU and OECD, Albania is encouraged to:

- **Strengthen the governance of SOEs.** SOEs in Albania operate in a largely decentralised manner, lacking a whole-of-government ownership policy to professionalise ownership practices or to clarify the state's objectives regarding SOEs. Moreover, significant shortcomings in SOE board arrangements increase corruption-related risks, including the presence of politically affiliated individuals on SOE boards. Growing state subsidies to SOEs, coupled with the absence of rate-of-return expectations, risks distorting the level playing field.
- **Enhance the implementation of STI policies through increased public investment, complemented by enhanced data collection.** Albania's STI capacity necessitates continued

development and investment. Overall investment in research and development (R&D) remains low and scientific research outputs remain limited, with the number of national patent applications stagnating. Knowledge exchange and co-creation also remain weak, notably due to the lack of incentives to stimulate linkages between academia and businesses. The lack of systematic data related to STI further hinders the design and monitoring of effective policy measures.

- **Consider implementing tax policy reforms aimed at broadening the tax base and addressing widespread informality.** Albania's tax-to-GDP ratio is 25.6%, which significantly lags behind the Western Balkan and OECD averages of 30.4% and 33.6%, respectively. There are no presumptive tax regimes in place that could incentivise small businesses to formalise their operations. Integrating social security contributions (SSCs) into such a presumptive tax regime could reduce SSC compliance costs and assist low-income self-employed workers in formalising their status, thereby increasing tax revenues from SSC – which are, in terms of share of total tax revenues, second lowest in the Western Balkans. Additionally, consideration could be given to lowering the high value added tax (VAT) registration thresholds, after assessing the tax administration's capacity, as this could help to expand the VAT base and boost tax revenue.
- **Continue efforts to increase energy supply and security through the diversification of sources.** Albania's energy sector is not sufficiently diversified, primarily relying on hydro resources for electricity generation. This dependence on hydropower leaves the economy vulnerable to energy shortages during periods of hydrological variability, necessitating energy imports from other sources. Albania also lacks internal gas infrastructure and terminals, with projects such as the Trans Adriatic Pipeline and the Albania-Kosovo Pipeline progressing slowly. To enhance the security of its energy sector, Albania should intensify its efforts to advance these diversification projects.
- **Improve connectivity in the transport sector to address infrastructure gaps.** While Albania has devoted significant public funding toward the construction and maintenance of road infrastructure, this level of investment has not been directed towards other modes of transport. During the period 2019-22 the economy allocated only 0.09% of its GDP to rail infrastructure investment – one-third of the levels seen among EU and OECD countries – and did not allocate any funding towards the maintenance of rail infrastructure. Closing current disparities and upgrading infrastructure, especially in rail, is essential for enhancing safety, increasing export efficiency and strengthening regional connectivity initiatives.



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

DOI: <https://doi.org/10.1787/eb621c20-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.