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Albania:

Country Private Sector Diagnostic



OCTOBER 2026

About the Country Private Sector Diagnostic

The private sector is an engine of long-term economic growth and a catalyst for global social and economic development. When functioning well, it promotes innovation and entrepreneurship, improves access to and the quality of economic opportunities, and supports the sustainable use of natural resources. In developing economies, the private sector creates the vast majority of jobs, generates tax revenue, and accounts for significant investment.

The Country Private Sector Diagnostic (CPSD) reports seek to unlock private investment and job creation through policy action to remove impediments to private investment. Prepared jointly by the institutions of the World Bank Group, each report analyzes specific sectors of the economy in which increased private investment could accelerate growth if appropriate policy and regulatory issues are addressed.

Designed from the perspective of an investor or entrepreneur, CPSDs seek to identify untapped private investment opportunities and the barriers that stand in their way (earlier reports can be found here). Subsectors of the economy are chosen based on their potential to attract private investment, create more and better jobs, generate domestic revenue, and foster sustainable, inclusive growth in response to targeted policy action. The report aims to help policy makers prioritize impactful actions that can be taken in the near term to remove disincentives to private investment, while delivering on broader development goals.

The CPSD is a core country diagnostic of the World Bank Group produced to guide the design and implementation of country strategies, public and private investment projects, budget support operations, advisory services, and other analytical work. It is intended to be of interest to domestic and foreign investors, government officials, Bank Group staff and management, civil society, and other development partners.

CPSDs are a central instrument of the World Bank Group's jobs agenda as articulated in the 2025 Development Committee (DC) Paper on *Jobs: The Path to Prosperity*, which emphasizes translating private sector development into large-scale employment opportunities. CPSDs support this agenda by providing country-level, sector-specific diagnostics that help identify systemic barriers to private investment critical to job creation. They also align with the DC's three-part approach to private sector development and job creation: investing in human capital and infrastructure to establish the basic preconditions for job creation, supporting business-enabling policies, and mobilizing private capital at scale to help firms create more and better jobs.

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Executive Summary

The Country Private Sector Diagnostic (CPSD) identifies a few sectors of the economy that have the potential to attract significant private investment over the medium term if well-identified constraints can feasibly be addressed by public policy action. It takes an investor perspective to identify the constraints that currently discourage private investment. The selection of sectors follows a rigorous, systematic process that includes analysis of quantitative and qualitative indicators and stakeholder consultations, including interviews with private investors, companies, technical experts, policy makers, and development partners. Recognizing that an element of judgment is involved, the selection is not intended to be exhaustive; rather, it aims to facilitate focused analysis and concrete recommendations.

This CPSD evaluates Albania's investment prospects at a significant juncture in the country's development trajectory and against a period of relative macroeconomic stability.

A decade of sustained, private sector–led growth and a credible path toward European Union (EU) membership have created conditions in which structural transformation is both necessary and possible. EU accession provides a robust framework for institutional modernization, legal harmonization, and regulatory alignment. However, realizing its economic benefits will depend critically on the private sector's ability to invest at a scale and quality commensurate with Albania's ambitions. Albania's convergence with the EU will therefore hinge on whether reforms translate into credible and predictable conditions for private investment.

Despite notable progress, Albania's private sector continues to face structural constraints that limit the scale and quality of private investment needed to support the country's development objectives. Informality has declined over time but remains a significant challenge, distorting competition and suppressing the productivity gains for deeper economic integration with the EU. The firm structure of the economy compounds this challenge: micro, small, and medium enterprises account for 99 percent of firms and often operate at suboptimal scale. State-owned enterprises also remain prominent in certain sectors but face financial constraints and gaps in governance frameworks. Together, these factors contribute to weak productivity and limited capacity for the investment needed to support structural transformation. Access to finance remains limited, with domestic credit to the private sector at 34 percent of gross domestic product, well below

regional averages, constraining firms' investment capacity. At the same time, a high net emigration rate—the highest in Europe in 2024, at 12.1 per 1,000 residents—is intensifying skills shortages and labor market mismatches, with adverse effects on firm-level productivity and sectoral competitiveness. Although Albania has advanced considerably in aligning its legal framework with the EU acquis, gaps between legislation and implementation undermine the credibility of enforcement and the regulatory predictability that long-term investors expect. Addressing these cross-cutting constraints is a prerequisite for creating conditions in which private investment can contribute meaningfully to Albania's convergence with EU standards and income levels.

This CPSD examines agritourism, waste management, and digital payments—three sectors with strong investment potential and development impact, where targeted near-term policy actions can address cross-cutting and sector-specific constraints that deter private investors. Although the sectors differ in their market characteristics, each addresses a distinct constraint or enabling condition for Albania's transition toward a more diversified and high-value tourism model, a major driver of its economic growth. Agritourism can extend the tourism economy inland and across seasons, creating new sources of income and investment. Waste management underpins the environmental quality and credibility of Albania's tourism offer, directly influencing visitor experience and willingness to pay. Digital payments can enable more seamless transactions while helping small providers to scale, formalize, and connect to broader markets. Across all three sectors, targeted near-term reforms can reduce informality, strengthen enforcement within market systems, and improve the conditions for private investment, while contributing to a more productive, formal, and investment-ready economy.

The reforms proposed in this CPSD are expected to create between 13,000 and 18,000 jobs, including through formalization of informal jobs, based on sector-level estimates. These estimates capture only jobs attributable with up to US$929 million in private investment that could be mobilized if the recommendations in this CPSD are implemented. They do not include broader economy-wide effects, which are likely to be substantially larger. Agritourism reforms would expand tourism investment and income opportunities in rural areas, strengthen linkages with agriculture, and benefit a broad base of rural households, generating benefits beyond those captured by the job estimates. Waste management reforms would deliver environmental and public health gains beyond tourism areas and advance Albania's alignment with EU requirements, thereby reducing regulatory uncertainty for private investment across the economy. Expanding digital payments would help build the infrastructure needed for formalization, financial inclusion, and productivity gains across all consumer-facing sectors. The reforms could also upgrade job quality by raising earnings in agriculture-linked tourism, formalizing employment in the waste sector, and enabling more productive jobs in digital payments. This is particularly relevant given Albania's high reservation wages, driven in part by remittances and migration options.

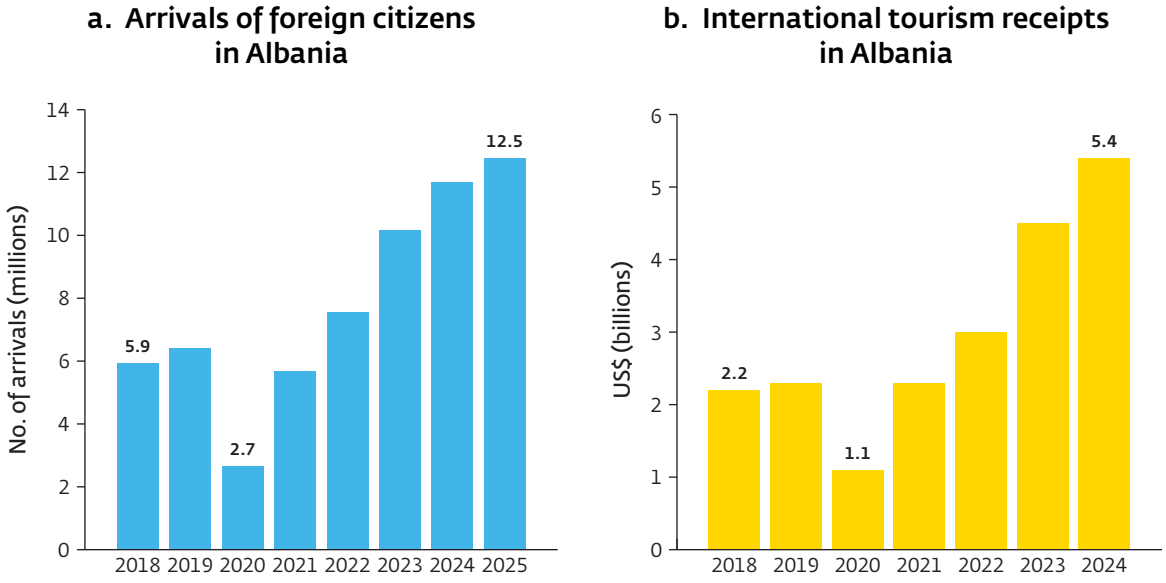
Agritourism[1]

Tourism has become Albania's dominant export engine and a central driver of jobs and investment, with foreign arrivals nearly doubling since 2019, driving the growth in tourism receipts (figure ES.1). However, tourism activity remains concentrated in peak summer months and coastal destinations, placing increasing pressure on natural and cultural assets, while opportunities to generate broader economic benefits remain underdeveloped. Limited gains in productivity, year-round quality employment, and linkages with local enterprises highlight the need to shift from volume-driven model toward a more diversified, productive, sustainable, and resilient tourism economy that generates greater value added and spreads benefits across destinations and communities.

From a private investment perspective, agritourism offers a potential entry point into Albania's inland and rural tourism economy. Unlike many rural tourism activities that remain informal or weakly regulated, agritourism benefits from a defined legal and regulatory framework, a national registry and certification system, and access to public cofinancing instruments. Together, these features can reduce regulatory uncertainty and improve bankability.

Figure ES.1

Foreign Arrivals and Tourism Receipts Have Grown Rapidly



Source: Based on data from Instat and UN Tourism.
Note: Foreign arrivals refer to arrivals of foreign citizens. Tourism receipts are shown through 2024, the latest year for which data were available from UN Tourism at the time of drafting.

Agritourism creates opportunities for investment in accommodation upgrades, experience-based rural hospitality, and enabling services that can aggregate small providers. It can also enable farms, agro-processing firms, and other agribusinesses to diversify into higher-value, visitor-oriented activities. With tourism demand growing but remaining concentrated in short-stay coastal models, agritourism can help capture demand for higher-value, multiday experiences while directing investment and employment toward underserved inland areas.

Despite strong market potential and significant reform progress in recent years, private investment in this segment of the tourism sector is constrained by institutional and factor-market weaknesses that raise risk and weaken the business case. Seasonal demand and volatile occupancy reduce revenue predictability, while the sector's predominantly micro and family-run structure limits standardization, scale, and access to finance. These constraints are compounded by a certification regime[2] that does not yet provide a credible and durable signal of agricultural origin, authenticity, and quality, including the primacy of agricultural activity.

Albania has amended the tourism law, adopted the National Tourism Strategy and its accompanying action plan, strengthened inter-institutional coordination, and continued to digitalize administrative procedures. However, several challenges remain. Uneven enforcement of rules governing short-term rental accommodations creates unfair competition and information gaps relevant to business decisions. Fragmented tourism statistics increase due-diligence costs. Destination-level coordination for inland tourism product development remains weak, while labor and skills shortages persist. Together, these factors reinforce low-value, highly seasonal business models and deter private investment in this segment of the tourism sector.

Concrete policy actions to unlock private investment include strengthening agritourism certification through enforceable agricultural-primacy requirements, mandatory periodic recertification, and digitally verifiable status; making short-term rental registration a binding condition for market entry; protecting the agritourism label from misuse by uncertified operators; operationalizing destination management organizations beyond marketing to support coordination and investment-related functions; and aligning skills systems more closely with agritourism needs, including through recognition of skills acquired abroad.

If the recommendations in this CPSD are implemented, the sector could attract between US$318 million and US$476 million in private investment over the medium term and create between 5,200 and 7,700 new jobs, including through the formalization of existing informal employment in agritourism.

Waste Management

Structural trends in waste generation, consumption, and tourism are increasing demand for modern collection, treatment, and recycling capacity in Albania. Urbanization, rising consumption, and rapid tourism growth are placing greater pressure on municipal systems and creating opportunities for private investment in waste management and the circular economy. Albania's waste profile points to investment opportunities in organics treatment, material recovery, and the recycling of plastics, paper, and metals. Outdated municipal fleets and infrastructure, including landfills, together with seasonal overloading in coastal areas, create additional demand for private operators with scalable logistics and processing capabilities.

Private participation in the waste sector is constrained by regulatory, institutional, and commercial barriers that weaken investment incentives. Albania has taken an important step by establishing and capitalizing the National Agency for Waste Economy, but its broad mandate for planning, oversight, infrastructure development, and waste-service operations may create uncertainty about the scope for private participation. Short contract tenors and tariffs that do not reflect costs undermine revenue predictability and limit the ability to recover capital investment. Permitting processes are fragmented and unpredictable, while the absence of reliable and verifiable data creates uncertainty around waste volumes and composition. The predominance of mixed-waste collection and the near absence of waste separation at source result in contaminated feedstock that is poorly suited to higher-value recycling and organics treatment (figure ES.2). Together, these constraints raise project-development risks, increase financing costs, and confine private investment largely to lower-capital, shorter-term activities.

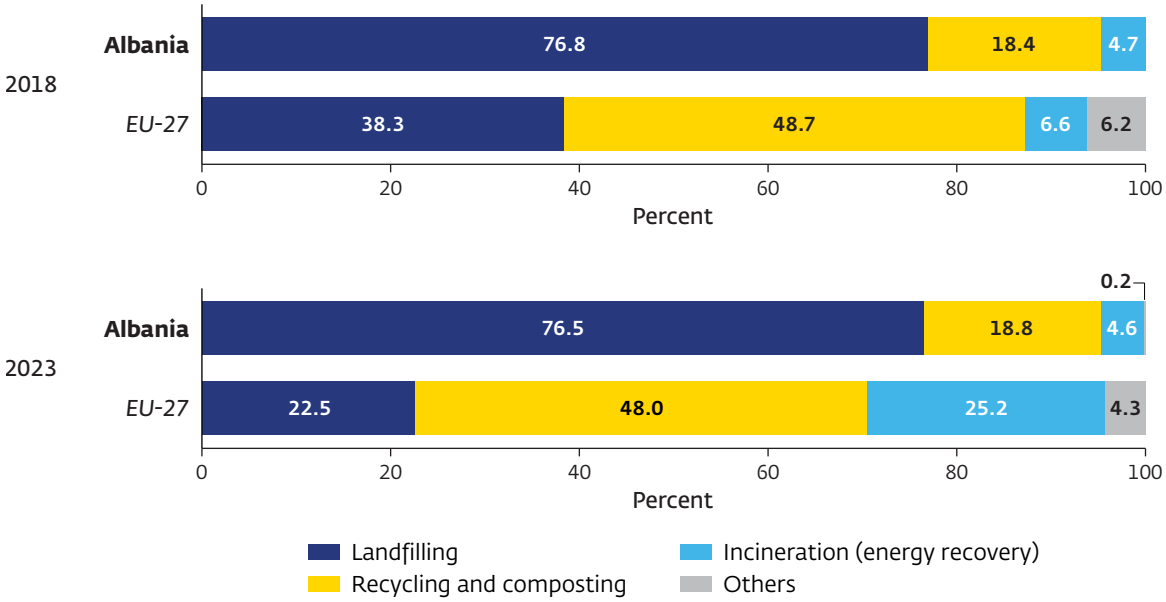
Recommended reforms to remove impediments to private investment include publishing annual pipelines for public-private partnerships and other procurements related to infrastructure development and waste services; competitively outsourcing waste services under longer-term contracts; a uniform, cost-reflective tariff methodology; identifying preapproved regional sites with coordinated permitting; and developing a reliable waste data system backed by a "no data, no pay" rule. These policy actions should be reinforced by gate-fee inversion and stronger enforcement to reduce illegal dumping and informal waste picking.

Implementing these recommendations could attract up to US$263 million in private investment over five years and support up to 5,300 jobs across collection, sorting, and materials recovery, including through the formalization of informal jobs.

Figure ES.2

Albania Recycles Less and Landfills More than the EU

Municipal waste management, by method



Source: Based on data from Instat and Eurostat.
Note: EU = European Union.

Digital Payments

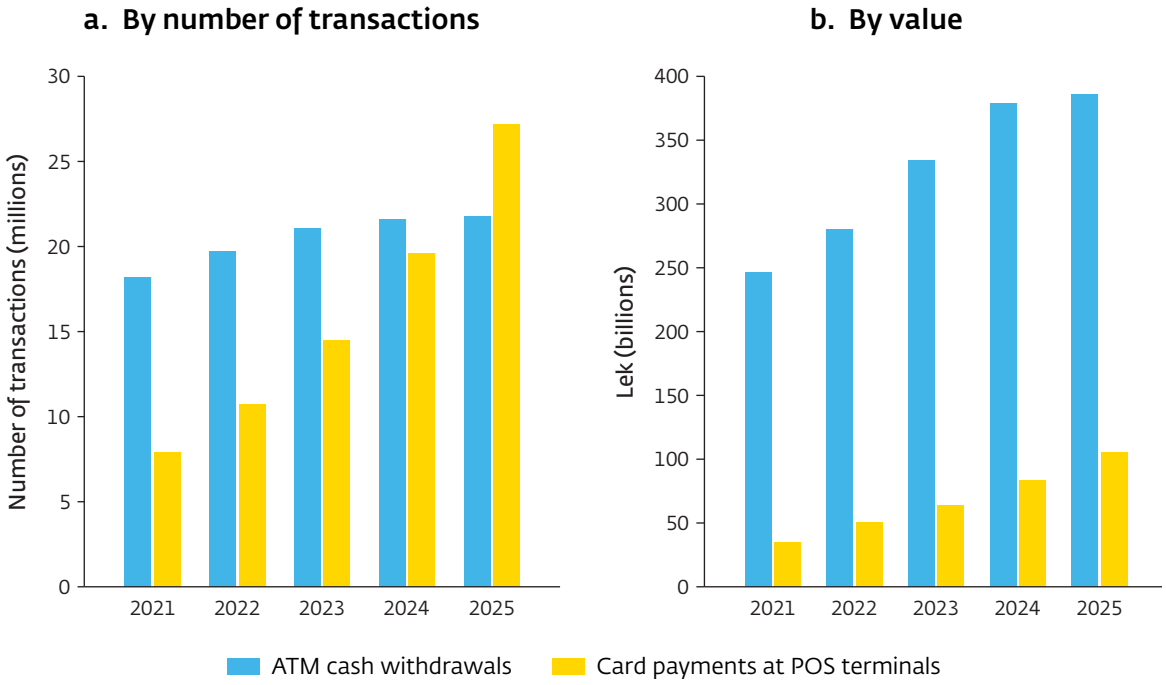
Albania's ambition to move toward a primarily cashless economy creates significant potential for private investment in digital payments. Strong digital connectivity and high smartphone penetration provide a solid foundation for expanding electronic payments, while growing tourism and export-oriented services strengthen demand for cashless transactions. These conditions create opportunities for investment by banks, nonbank payment service providers, fintech (financial technology) firms, and technology companies in merchant acquisition, payment processing, digital wallets, compliance technology, and payment-enabled services. More broadly, digital payments can increase formalization, service quality, financial inclusion, and productivity growth.

Private investment in digital payments is constrained by limited market scale and high operating costs. Although digital payments have gained momentum in recent years, their use remains limited, as persistent cash use and informality continue to suppress demand for modern payment services (figure ES.3). Financial account ownership and merchant acceptance are low relative to peers, limiting transaction volumes

Figure ES.3

Cash Remains the Dominant Payment Method

ATM cash withdrawals and card payments at POS terminals



Source: Bank of Albania.
Note: ATM = automated teller machine; POS = point of sale.

and weakening network effects. This limits market scale and keeps operating costs high, reducing incentives for private investment.

Fragmented implementation of open banking also raises integration costs for new entrants, while gaps in the legal and operational frameworks for remote onboarding, digital identity verification, and electronic signatures increase customer acquisition and compliance costs. As a result, providers face relatively high upfront investment requirements and uncertain returns, slowing market entry, innovation, and expansion.

Recommended policy actions include end-to-end digitalization of government payments to and from individuals and businesses, including a phased transition to digital-only payments; measures to expand merchant acceptance of digital payments; standardized implementation of open banking with clear performance targets; consent-based digital identity verification using government databases; and adoption of a risk-based framework for electronic signatures in financial services. These recommendations complement reforms already initiated by the authorities under the Cashless Albania initiative, including

the planned rollout of instant payment infrastructure. Together, these measures could improve the business environment for existing and new payment service providers by enabling more seamless connections to the payment system, customer onboarding, and delivery of scalable services.

Implementing these recommendations could generate between US$90 million and US$190 million in private investment over the medium term across banks, nonbank financial institutions, fintech firms, and technology companies, while creating between 2,400 and 5,000 jobs. Wider use of digital payments could also strengthen financial inclusion and improve firm efficiency.

Summary of Constraints to Private Investment and Recommendations

A common set of structural and policy challenges constrains private investment across all three sectors: informality, a persistent gap between laws and their implementation, and weak enforcement. These challenges are deeply interconnected. Informality is sustained by inconsistent enforcement, while enforcement gaps partly reflect limited supervisory and implementation capacity. Pervasive informality distorts competition and constrains market development across all three sectors. Unregistered short-term rentals undermine certified agritourism operators; illegal dumping reduces the waste volumes available to formal recycling businesses; and persistent reliance on cash suppresses the network effects needed for digital payment providers to reach scale. Gaps between Albania's increasingly EU-aligned legal framework and implementation persist, amid weak enforcement. Agritourism certification provides only a one-off compliance signal, while unregistered short-term rentals continue to operate outside the formal system. In waste management, the absence of waste-flow tracking sustains illegal dumping. In digital payments, the open banking framework which would promote digital payments is operationally ineffective amid enforcement gaps.

Importantly, the CPSD recommendations across the three sectors seek to embed compliance into the design of systems and incentives rather than rely solely on ex post inspection and supervision. In agritourism, this means requiring a unique digital identifier through e-Albania as a condition for listing on booking platforms and imposing binding obligations on platforms to verify registrations and delist noncompliant units. This approach shifts part of the enforcement burden from inspectors to the architecture of the market. In waste management, a "no data, no pay" rule would condition municipal payments on verifiable digital tracking data, while geofenced Global Positioning Satellite tracking would help close informal dumping loopholes. A gate-fee inversion structure

would make separation at source the more commercially rational choice by design rather than through mandates alone. In digital payments, creating a competitive business environment through standardized application programming interface performance benchmarks, interoperable acceptance solutions such as QR codes and SoftPOS (software point of sale), access to civil registry data for remote identity verification, and a risk-tiered electronic-signature framework would establish clear rules from the outset and enable lower-cost automated monitoring.

To support effective implementation, the CPSD prioritizes recommendations according to their foundational role in enabling subsequent reforms, their near-term feasibility of implementation, and their potential to improve bankability or reduce risks for investors. Across the three sectors, the most immediate priorities are measures that strengthen implementation credibility, reduce informality, improve data and verification systems, and clarify the rules and institutional arrangements that shape private investment decisions. In agritourism, the immediate priorities are strengthening certification credibility, making short-term rental registration binding, and improving market data. In waste management, priorities include reforms that improve bankability and implementation credibility, particularly longer-term contracts, cost-reflective tariffs, clearer institutional accountability, and reliable waste-flow data. In digital payments, the immediate priorities are reforms that expand transaction volumes and reduce onboarding frictions, thereby strengthening the commercial case for formal electronic payments.

Table ES.1

Summary of Constraints and Recommendations

Constraints	Recommendations
Agritourism	
Rationale • Rapid tourism growth, a diverse agricultural base, a supportive policy framework, and short travel distances between coastal gateways and inland rural destinations create strong investment potential. • Private investment is constrained by weak and noncredible certification, incomplete enforcement of short-term rental registration, and other institutional and market constraints.	
1. Agritourism certification does not provide a credible and durable investment signal because eligibility criteria do not reliably ensure agricultural primacy over time and post-certification enforcement is weak.	**1a.** Amend the agritourism certification framework under the Law on Tourism and its implementing acts to require agricultural primacy over time, introduce mandatory periodic recertification, and make certification digitally verifiable. ***Priority:*** Foundational **1b.** Replace the rigid one-hectare land threshold with eligibility criteria based on demonstrable agricultural primacy and adapted to Albania's fragmented farm structure. ***Priority:*** Foundational **1c.** Establish a layered enforcement mechanism for agritourism certification based on periodic recertification, digital compliance reporting, and risk-based inspections, supported by accredited third-party verification where public capacity is limited. ***Priority:*** Foundational
2. Short-term rental registration requirements are not yet binding for market entry, undermining fair competition.	**2a.** Require all short-term rental accommodation units to obtain a unique digital registration ID through e-Albania as a condition for market entry. ***Priority:*** Foundational **2b.** Require online booking platforms to validate and prominently display a valid Albanian short-term rental registration ID for each listing and refuse publication of listings without a valid ID. ***Priority:*** Foundational

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations *(continued)*

Constraints	Recommendations
3. Fragmented and incomplete information on listings, occupancy, and transaction values raises due diligence costs and weakens revenue forecasting, particularly in rural and seasonal destinations.	**3a.** Require booking platforms to report listings, nights booked, and transaction values linked to short-term rental registration IDs through a single national digital entry point. ***Priority:*** Foundational **3b.** Operationalize the Ministry of Tourism, Culture and Sportss e-visitor platform as the mandatory channel for standardized visitor data reporting by tourism operators. ***Priority:*** Foundational **3c.** Establish a government-led protocol for validating, reconciling, and publishing aggregated tourism data generated through the e-visitor platform. ***Priority:*** Foundational
4. Weak protection of agritourism designation undermines quality differentiation, pricing power, and incentives to invest in agriculture-linked upgrading.	**4.** Amend the implementing acts under the Law on Tourism governing accommodation classification, certification, and marketing to protect use of the agritourism designation through valid certification and short-term rental registration. ***Priority:*** Follow-on
5. Most destination management organizations lack a clear legal mandate, stable financing, and operational authority beyond marketing, limiting destination-level coordination and raising investor risk.	**5.** Operationalize destination management organizations as destination-level coordinators of investment, visitor management, and product development through implementing regulations under the Law on Tourism, supported by public-private governance and predictable financing. ***Priority:*** Follow-on
6. Agritourism investors face persistent labor constraints because technical and vocational education and training and recognition of prior learning reforms have not yet translated into an operational skills pipeline for agriculture-linked tourism businesses.	**6.** Expand employer participation, geographic coverage, and work-based learning, including by creating a credible certification pathway for skilled return migrants with tourism work experience acquired abroad. ***Priority:*** Follow-on

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations *(continued)*

Constraints	Recommendations
Waste management	
Rationale • The waste and circular economy sector is entering a period of growth, driven by EU-aligned legislation. • Rising waste volumes associated with economic activity and tourism open space for private participation.	
1. The National Agency for Waste Economy's (*Agjencia Kombëtare e Ekonomisë së Mbetjeve; AKEM*) broad and combined responsibilities for planning, oversight, infrastructure development, and waste-service operations may create uncertainty about where and how private investment can participate.	**1a.** To facilitate waste-service delivery through public, private, and mixed-provider arrangements, require AKEM to publish a rolling multiyear pipeline of public-private partnership and other procurement opportunities for infrastructure and waste services. ***Priority:*** Foundational **1b.** Require AKEM to publicly report a set of auditable performance indicators. ***Priority:*** Foundational
2. Short contract tenors prevent private operators from recovering investment costs and weaken incentives to improve service quality.	**2.** Mandate open competitive tendering for waste collection services, with contract durations calibrated to ensure cost recovery and investment viability. ***Priority:*** Foundational
3. Non-cost-reflective tariffs for waste services weaken commercial viability and reduce operators' ability to invest in durable service improvements.	**3.** Adopt a uniform, cost-reflective tariff methodology and phase in its application across municipalities. ***Priority:*** Foundational
4. Unpredictable permitting and unresolved site-readiness issues increase development risk and delay project preparation.	**4.** Designate prepermitted facility zones in each of Albania's 10 waste regions, with land ownership, zoning, environmental screening, and technical requirements resolved before procurement. ***Priority:*** Follow-on
5. Weak and inconsistently verified data on waste volumes and composition undermine planning, contracting, and investment decisions.	**5a.** Require all landfills and transfer stations to install calibrated weighing systems and digital tracking tools and make weighing mandatory for all incoming loads. ***Priority:*** Foundational **5b.** Apply a strict "no data, no pay" rule to municipal service payments and operator reimbursements. ***Priority:*** Foundational **5c.** Publish medium-term regional waste-flow projections to support facility sizing and investment decisions. ***Priority:*** Foundational

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations *(continued)*

Constraints	Recommendations
6. Predominantly mixed-waste collection and weak separation at source produce contaminated feedstock that is unsuitable for private investment in recycling and organics treatment.	**6a.** Introduce a higher disposal fee for mixed waste while applying a zero or negative fee for presorted recyclables delivered to material recovery facilities (a gate-fee inversion). ***Priority:*** Follow-on **6b.** Embed source-separation key performance indicators in municipal collection contracts and pair them with standardized outreach to households and businesses. ***Priority:*** Follow-on
7. Illegal dumping by informal actors and disposal outside engineered facilities divert waste from the formal system and reduce the feedstock needed for viable treatment investments.	**7a.** Introduce integrated waste traceability systems combining calibrated weighbridges, access controls at landfill and transfer station gates, and geofenced GPS tracking of collection vehicles. ***Priority:*** Follow-on **7b.** Formally engage waste pickers through registration and delivery of recyclables to official transfer points. ***Priority:*** Follow-on
Digital payments	
Rationale • The national prioritization of a primarily cashless economy creates a strong policy signal for private investment in payment infrastructure, merchant and customer acceptance, and technology-enabled payment services. • Strong digital connectivity and high smartphone penetration provide a solid foundation for expanding electronic payments.	
1. Informality and persistent reliance on cash limit market scale.	**1a.** Implement end-to-end digital government payments by disbursing all government-to-person payments into transaction accounts. ***Priority:*** Foundational **1b.** Establish core architecture for government collections that enables payments using any digital payment instrument, rather than only cards and point-of-sale terminals. ***Priority:*** Foundational

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations *(continued)*

Constraints	Recommendations
	1c. Require a phased transition to digital-only business-to-government payments, progressively limiting cash use as businesses transition to digital channels. ***Priority:*** Follow-on **1d.** Lower the cash transaction ceiling for business-to-customer and customer-to-business transactions to the same level as for business-to-business transactions, with scope for further calibration. ***Priority:*** Foundational
2. High costs and entry barriers limit adoption of digital payments among small merchants.	**2.** Issue supervisory requirements to allow simplified onboarding, improve pricing transparency, and require interoperable low-cost acceptance solutions. ***Priority:*** Foundational
3. Fragmented open banking interfaces raise entry costs and deter private investment.	**3.** Issue open banking implementation guidelines with clearly defined application programming interface performance benchmarks. ***Priority:*** Foundational
4. Limited access to digital identity verification for electronic know-your-customer procedures raises costs and slows customer onboarding.	**4.** Allow regulated financial institutions to access and query selected civil registry data, enabling consent-based digital identity verification for electronic know-your-customer purposes. ***Priority:*** Foundational
5. Limited use of electronic signatures in financial products and services raises onboarding friction.	**5.** Introduce a tiered, risk-based framework for electronic signatures across financial products and services, clarifying when simple, advanced, and qualified electronic signatures may be used. ***Priority:*** Follow-on



1 Country Context and Business Environment

Albania has maintained macroeconomic stability, supported by a broadly appropriate policy mix. From 2015 to 2025, real gross domestic product (GDP) grew by an average of 3.7 percent annually, driven by domestic demand, tourism, construction, mining, and energy, while investment remained high at around 28 percent of GDP in 2025 (table 1.1). According to the 2023 Population and Housing Census, Albania had a resident population of about 2.4 million. An upper-middle-income country, Albania has also recorded strong per capita income growth relative to many regional peers. Services account for around 49 percent of GDP. Structural reforms, including fiscal consolidation and improvements in public financial management have helped reduce the fiscal deficit to 1.8 percent of GDP and public debt to 52.9 percent in 2025. The flexible exchange rate provides an important buffer against external shocks, although recent currency appreciation has weakened the competitiveness of some export-oriented sectors, including tourism. Although Albania remains cost-competitive, its advantage relative to regional peers is narrowing, underscoring the need for a gradual shift from a low-cost growth model toward one driven by productivity gains and higher-value-added services.

Table 1.1

Macroeconomic Indicators

	2010–19 average	2020	2021	2022	2023	2024	2025
GDP (US$ billions)	13.1	15.2	18.0	19.0	23.5	27.0	30.9
Real GDP growth (%)	2.6	−3.3	9.0	4.8	4.0	4.0	3.7
GDP per capita, PPP (constant 2021 international $)	13,950	16,458	18,213	19,389	20,502	21,641	22,724.3
Investment (% of GDP)	27.3	26.4	28.9	28.0	27.4	27.9	27.8
Inflation (%, period average)	2.1	1.6	2.1	6.7	4.8	2.2	2.2
Fiscal balance (% of GDP)	−3.1	−6.7	−4.6	−3.6	−1.3	−0.7	−1.8
Public debt (% of GDP)	66.5	73.9	74.1	64.1	57.6	54.2	52.9
Current account balance (% of GDP)	−9.2	−8.6	−7.6	−5.9	−1.2	−2.4	−0.5
Total reserves (US$ billions)	3.6	4.8	5.6	5.3	6.5	6.5	8.6
Total reserves in months of imports	6.4	9.2	7.8	6.3	6.7	6.0	7.2
FDI, net inflows (% of GDP)	8.0	6.7	6.5	6.6	5.8	5.4	5.0

Sources: World Bank Macro Poverty Outlook database (October 2026) and World Development Indicators.
Note: FDI = foreign direct investment; GDP = gross domestic product; PPP = purchasing power parity. Albania's population in 2025 was 2.4 million.

Convergence toward European Union (EU) income levels has been gradual and private sector–driven, but productivity growth has lagged. Albania's GDP per capita in purchasing power parity terms, measured in constant 2021 international dollars, increased from 24 percent of the EU average in 2008 to 41 percent in 2025. Private investment, especially in tourism, agribusiness, energy, and construction, has been central to this trajectory. However, the structure of employment points to challenges in structural transformation: agriculture still employs roughly 35 percent of Albania's workforce, compared with less than 10 percent in Europe and Central Asia, underscoring the persistence of

Table 1.2

High Agricultural Employment, but Widespread Skills Constraints among Firms in Albania

	Albania	ECA	UMICs	Regional and structural comparators*	Aspirational comparators*
Labor force supply					
Population ages 15–64 (as % of total population)	66.2	64.5	68.5	65.2	64.3
Labor force participation rate (% of population ages 15–64)	72	72.7	70.1	65.3	73.3
Learning-adjusted years of school	9	10	7.8	8.3	9.9
School enrollment tertiary (% gross)	82	85	65	57	67
Labor market conditions					
Unemployment, total (% of total labor force)	10.9	5.4	5.4	8.8	5.1
Share of firms identifying an inadequately educated workforce as a major or very severe constraint (%)	40.2	26.1	23.1	20.8	29.6
Employment by sector (% of total employment)					
Industry	21.2	24.2	27.9	26.3	31.6
Agriculture	34.9	6.9	20.4	13	6.5
Services	43.9	68.8	51.7	60.7	61.9

Source: World Development Indicators; International Labour Organization, modeled figures for 2024 and sectoral employment from 2023; Human Capital Index; UNESCO, latest available data, with Albania from 2023; Enterprise Surveys, latest available data, with Albania from 2025.
Note: ECA = Europe and Central Asia; UMICs = upper-middle-income countries. Learning-adjusted years of school adjusts years of schooling for how much students learn in each year of school, based on standardized test results.
*Regional comparators are Serbia, Bosnia and Herzegovina, Kosovo, Montenegro, and North Macedonia; aspirational comparators are Bulgaria, Croatia, Czechia, Hungary, Slovak Republic, Slovenia, Poland, and Romania.

low-productivity employment (table 1.2). Long-standing constraints, including fragmented landholding, limited access to finance, and infrastructure gaps, continue to impede productivity growth and structural transformation (figures 1.1 and 1.2).

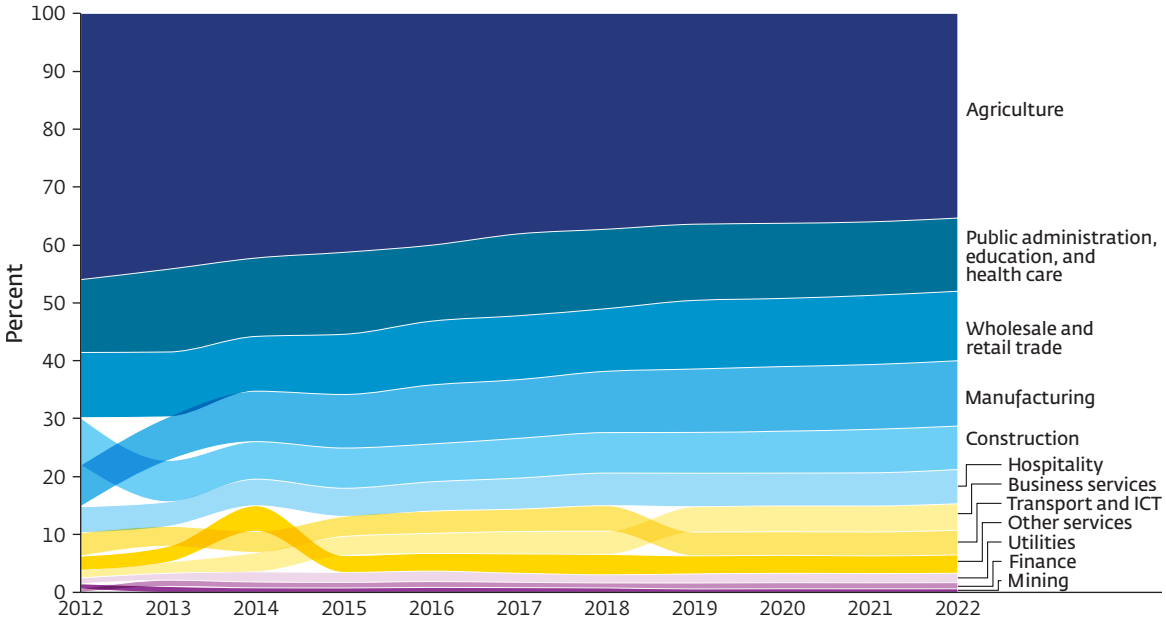
EU accession and the EU's Western Balkans Reform and Growth Facility have elevated the importance of productivity growth and private investment. Albania is implementing structural reforms as part of the Reform and Growth Facility, which were approved by the European Commission in October 2024 and are intended to improve the country's investment environment. Coordinated structural reforms aligned with the facility could enable Albania to reach high-income status by 2034 and converge with EU per capita income by 2057 (World Bank 2025c). Achieving this growth trajectory will require stronger productivity growth and increased private investment, underscoring the need for continued improvements in the business environment.[3]

Albania's firm structure is a significant constraint to competitiveness, upgrading, and productivity gains from trade integration. The formal sector is overwhelmingly dominated by micro, small, and medium enterprises, which account for about 99 percent

Figure 1.1

Agriculture Still Accounts for a Large Share of Employment as Manufacturing Gains Ground

Sectoral employment composition (%)

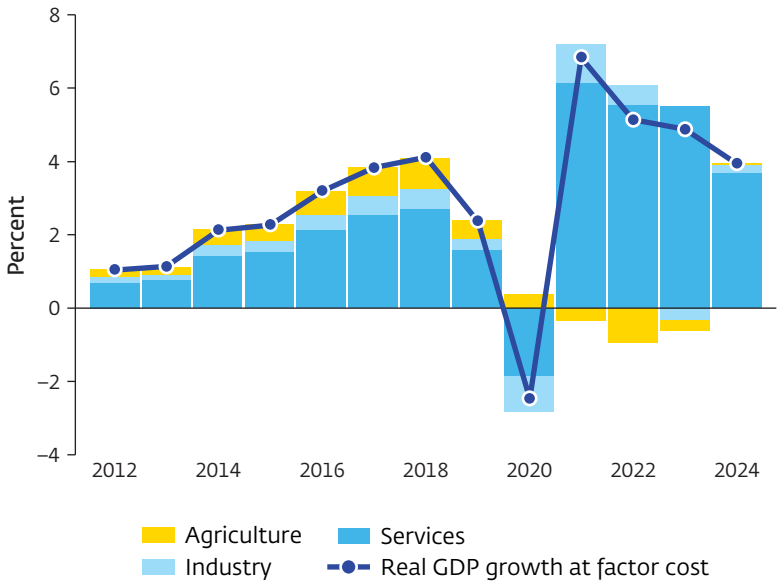


Source: World Bank structural change and employment data set.
Note: ICT = information and communication technology.

Figure 1.2

Services Have Driven Most Real GDP Growth Since 2012

Contribution to GDP growth by sector and GDP growth



Source: World Bank Macro Poverty Outlook.
Note: GDP = gross domestic product.

of firms but only 55–60 percent of employment and value added. Large firms represent just 0.1 percent of firms yet generate 18.0 percent of employment and 21.9 percent of value added.[4] This distribution points to a fragmented enterprise base with limited scale and weak aggregate productivity. The same constraint is visible in manufacturing, where two-way traders (i.e., firms simultaneously engaged in export and import activities) account for only 39.5 percent of value added, far below the Western Balkans average of 67.1 percent, indicating that international integration is not delivering broad productivity or wage gains. By contrast, internationally engaged service firms show a stronger link between integration, productivity, and pay. Taken together, these patterns suggest that Albania's strongest investment potential may lie in services, where international integration appears more closely linked to productivity and wage gains.

Meanwhile, Albania's state- and municipality-owned enterprises (SOEs) are modest in size but have a significant influence on private investment. The more than 50 active enterprises generate about lek 139 billion in revenue in 2024 (5.5 percent of GDP) and hold lek 565 billion in assets (World Bank forthcoming). They are concentrated primarily in energy, water and waste management, and to a lesser extent in transportation and other sectors. While state presence in certain sectors may be justified, public service obligations for the SOEs are not clearly defined, and a formal and coherent state ownership

policy is absent, leaving investors uncertain about which activities the state intends to retain, where private entry is desired, and how commercial co-investment could be structured. At the same time, weak financial position of key enterprises limits their ability to expand capacity, leaving service and infrastructure gaps that private investors could help fill. Clearer boundaries for state ownership, stronger SOE governance, and transparent contractual arrangements for public service obligations could turn these gaps into investable opportunities and mobilize private capital where Albania needs it most (World Bank forthcoming).

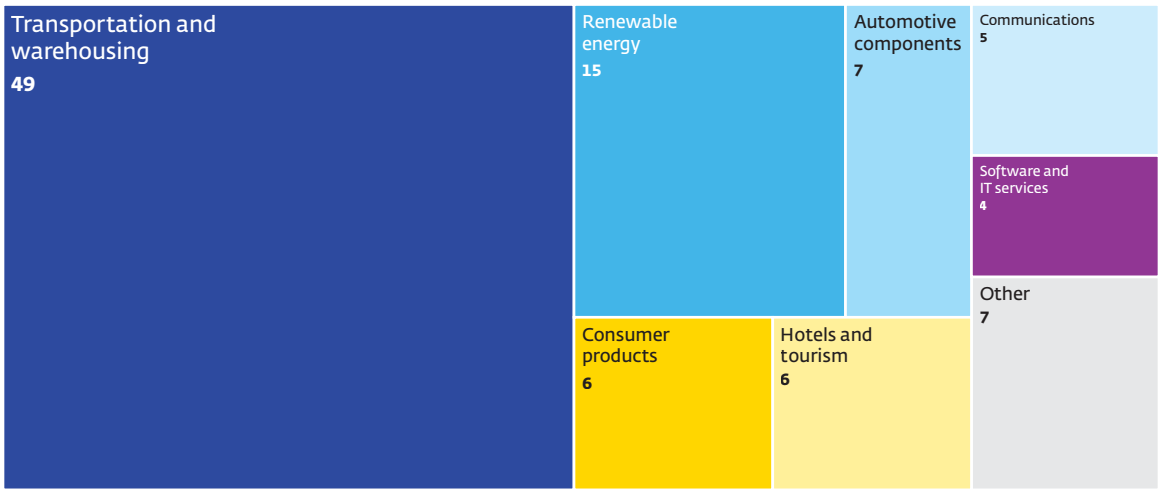
Foreign direct investment has shifted toward services and enabling infrastructure, a welcome development. FDI, once centered around the extractive and property sectors, has shifted to logistics, energy, technology, and services. Mining and quarrying dropped from over 40 percent of FDI in 2014 to about 14 percent in 2025. Real estate and financial services now make up more than 40 percent. Announced investments have been in transportation and warehousing (49 percent), indicating a move toward logistics (figure 1.3). Renewable energy follows at 15 percent, and automotive components, consumer products, and hotels and tourism account for 6–7 percent each.

Exports are becoming more service-oriented, with travel and tourism comprising almost half of total exports, while business services are smaller but growing. Travel

Figure 1.3

Greenfield FDI Is Shifting Toward Logistics, Energy, and Services

Share of cumulative announced greenfield FDI capital expenditure, 2020–24 (%)



Source: Financial Times fDi Markets.
Note: FDI = foreign direct investment.

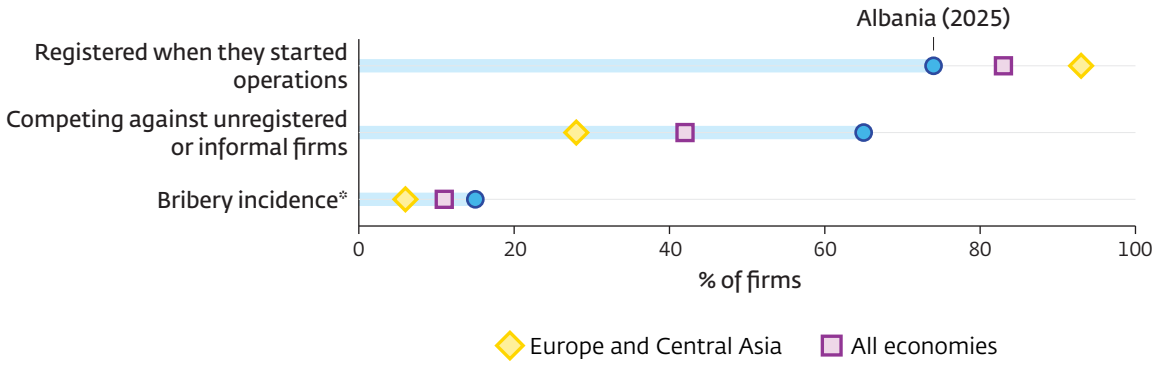
and tourism account for above 45 percent of total exports in 2024. Business services exports, such as IT and financial services, are also growing, making up nearly 20 percent of total exports in 2024. Goods exports—mainly low-tech apparel—are declining in importance, falling below 25 percent of exports. While almost half of all merchandise exports go to Italy, Albania's export mix is more diverse than that of other countries in the Western Balkans. Tourism has become Albania's dominant export engine and a central driver of jobs and investment. However, average length of stay has shortened in recent years, and activity remains highly concentrated in peak summer months and coastal locations. There have been few gains in productivity, year-round jobs, and inland economic linkages.[5] Investment and visitor activity are heavily focused on coastal and urban destinations, while inland and rural areas capture a smaller share of tourism spending despite strong agricultural, cultural, and natural assets. This limits the diffusion of tourism benefits across regions and reduces opportunities for rural job creation and firm growth.

Despite sustained efforts, informality and governance constraints remain important impediments to private investment in Albania. Since 2021, Albania has implemented the fiscalization reform, introducing electronic invoicing and transaction reporting, and has more recently adopted the Medium-Term Revenue Strategy 2024–27 to strengthen tax compliance, digitalization, and revenue administration. While these reforms have improved transparency and compliance monitoring, and World Bank estimates also indicate a gradual decline in informal output between 2020 and 2023,[6] firm-level evidence from the 2025 World Bank Enterprise Survey confirms that Albanian firms face substantially

Figure 1.4

Informality and Bribery Incidence Remain High Relative to Regional Peers

Informality, formalization, and corruption indicators



Source: World Bank Enterprise Surveys.
**Bribery* incidence is the share of firms experiencing at least one bribe payment request.

higher informal competition and bribery incidence than regional peers (figure 1.4). While Albania has made progress in aligning laws and regulations with the EU acquis, implementation is lagging. For investors, this raises uncertainty, complicates due diligence, distorts competition, and weakens predictability—discouraging the scale-up of formal, productivity-enhancing private investment, including in tourism-linked sectors.

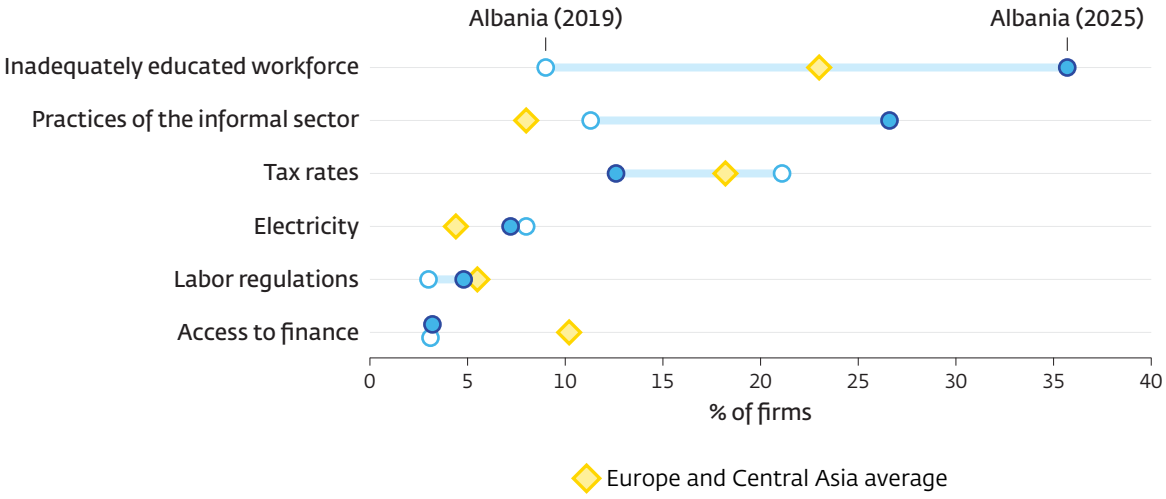
Firm surveys also increasingly identify perceived skills shortages as a leading constraint to doing business. The 2025 World Bank Enterprise Surveys identifies an inadequately educated workforce and informal sector practices among the major barriers for firms relative to regional benchmarks (figure 1.5). Albania also faces adverse demographic pressures and emigration dynamics: in 2024, Albania recorded a net migration rate of –12.1 per 1,000 residents,[7] contributing to skilled labor shortages. For example, specialists in the information and communication technology (ICT) sector account for 1.1 percent of local employment, despite a much higher share of ICT graduates of 8 percent, indicating that people having these skills are either emigrating or taking unrelated jobs. These constraints are compounded by participation gaps, with the female labor force participation rate at about 57 percent and youth participation below 40 percent.

Access to finance is a significant constraint for private investors in Albania, reflecting shallow domestic credit markets and limited non-bank financing channels. Domestic

Figure 1.5

Skills Shortages and Informality Remain Major Constraints on Firms

Top business environment constraints in Albania



Source: World Bank Enterprise Surveys.

credit to the private sector, largely driven by banks, stood at about 34 percent of GDP in 2024, well below both Europe and Central Asia and upper-middle-income averages (table 1.3). Low credit penetration underscores the limited role of financial intermediation in supporting firm expansion and upgrading. While foreign direct investment is relatively strong—at around 5–7 percent of GDP—it is concentrated in a narrow set of sectors. Albania does not have a public equity market, and lending from foreign banks to residents is modest. Together, these patterns point to an investment environment in which firms, particularly SMEs, rely heavily on internal funds, short-term financing, or foreign investors.

Despite progress on cadastre digitization, weaknesses in land registration and cadastral data quality continue to impose elevated title risk and transaction costs

Table 1.3

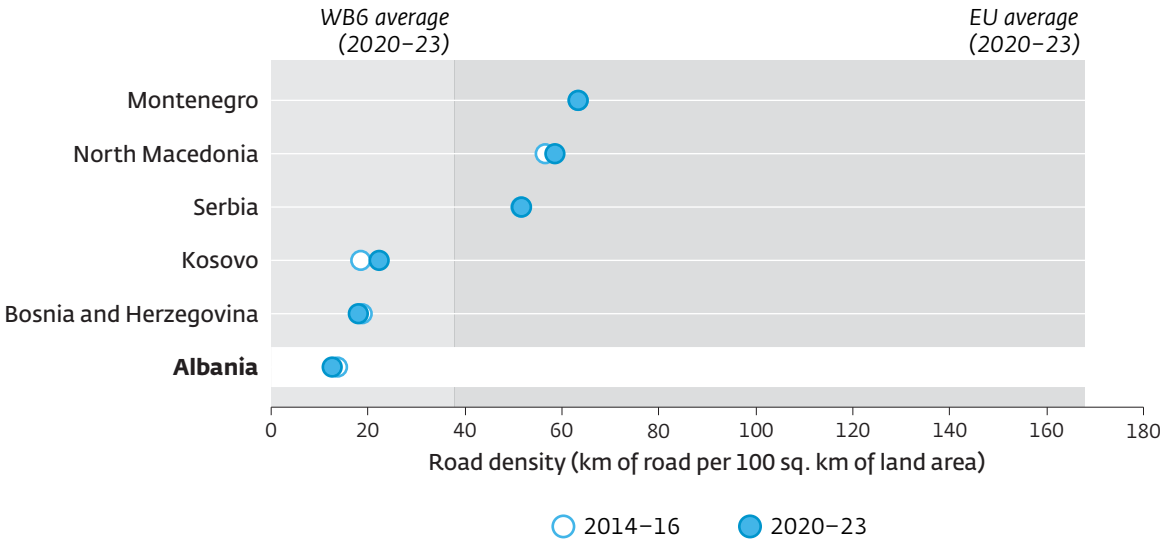
High FDI Flows, Low Domestic Credit to Private Sector and Bank Credit Penetration in Albania

	Albania	ECA	UMICs	EMDEs
Domestic credit to the private sector (% of GDP)				
2024	33.9	59.8	48.4	40.5
Five-year average	34.8	64.5	50.9	42.5
Bank credit penetration				
2024	31.4	58	44.3	37.6
Five-year average	32.3	62.6	46.5	39.5
Foreign bank loans, all sectors (% of GDP)				
2023	2.9	40	13.2	19.1
Five-year average	3.1	44.7	15.4	21.8
FDI flows (% of GDP)				
2023	6.9	–0.3	3.5	3.5
Five-year average	7.2	2.2	3.7	3.4
Portfolio equity flows (% of GDP)				
2023	0	0.5	0.4	0.3
Five-year average	0	1.1	0.5	0.3

Note: ECA = Europe and Central Asia; EMDEs = emerging markets and developing economies; FDI = foreign direct investment; GDP = gross domestic product; UMICs = upper-middle-income countries.

Figure 1.6

Albania's Road Density Remains the Lowest in the WB6



Source: OECD (2025b).

on investors in Albania. While the legal and institutional framework for property rights is broadly in place, security of property rights is still constrained by incomplete first registration, limited verification of legacy records, measurement inaccuracies, continued reliance on paper documentation in parts of the system, and weaknesses in the integrity, transparency, and effectiveness of cadastral service delivery. These shortcomings increase due diligence burdens, lengthen closing timelines, and often require costly legal, notarial, and technical surveying work to reduce acquisition risk (European Commission 2025a). The constraints are particularly binding in land-intensive sectors such as tourism, agribusiness, logistics, and infrastructure, where bankability depends on clean, fully verifiable title and collateral acceptable to lenders.[8]

Infrastructure gaps constrain competitiveness and raise operating costs, particularly for firms outside core urban corridors. Despite recent public investment and partner support, transport, energy, and digital infrastructure. Over 95 percent of domestic electricity has hydropower sources, enabling a near-fully renewable, low-carbon power system that keeps emissions low and supports competitive green electricity exports,[9] but it exposes the country and businesses to climate variability. Vulnerability to climate-driven fluctuations continues to require costly imports during dry periods, driving up average energy prices,[10] while market liberalization and the introduction of the Albanian Power Exchange (ALPEX) are in early stages.

Digital infrastructure coverage is relatively strong but weaker in fixed broadband access and affordability. Albania has 99.6 percent 4G coverage and high reported internet usage, yet fixed broadband access is low: in 2024, Albania had 24.9 fixed broadband subscriptions per 100 inhabitants, compared with 37.2 in Europe. Broadband prices are relatively high when adjusted for income, and limitations in speed and fixed network penetration hinder business digitalization and the delivery of high-quality digital services. Good connectivity has not translated into widespread adoption of digital tools in daily transactions.

Local service delivery and destination management capacity shape Albania's investment readiness as a tourism economy. In tourism-intensive municipalities, pressures on urban services, especially waste collection, cleanliness, and environmental management, have risen sharply alongside visitor numbers and seasonal peaks. Weak public service quality affects destination attractiveness, visitor satisfaction, and investor confidence, particularly as Albania aligns with EU environmental standards and expectations. These pressures are most acute at the municipal level, where capacity constraints, fragmented responsibilities, and limited incentives often hinder effective service provision despite growing demand. Municipal governments play a central role in tourism management and urban service delivery, yet their capacity to plan, contract, and monitor services varies widely across locations, contributing to uneven service quality and complicating private participation in sectors such as waste management and destination-level tourism services.

2
Sector Selection



The CPSD identifies sectors with potential to attract private investment and have development impact (including job creation) if concrete policy reform is undertaken in the near term.

The CPSD focuses on the factors that private investors have identified as discouraging investment in specific subsectors of the economy which otherwise hold the potential for commercial viability. The output of the CPSD is a prioritized set of concrete policy recommendations for implementation in the near term, yielding impact on private investment and quality job creation in the medium term.

The selection of sectors followed a rigorous process that included desk research, data analysis, internal consultations with World Bank Group experts, and in-country consultations. The process applied the following selection criteria:

1. Potential to attract significant private capital if reforms to alleviate constraints are undertaken;
2. Potential to generate development impact, with a particular focus on creating more and better jobs; and
3. Feasibility of removing key constraints through government action in the near term.

The CPSD draws on a standardized methodology to rank sectors according to their potential to attract private investment and have development impact. Quantitative indicators used include measures of comparative advantage, global demand projections, export gaps, value-added potential, job potential, and proximity to current production. This is augmented with qualitative analysis and consultations with sector and industry specialists.

The CPSD identifies sectors where Albania combines strong private investment potential with realistic scope for near-term policy action to unlock investment and job creation. Applying the CPSD methodology, which combines data analysis, investor perspective, and stakeholder consultations, the diagnostic focuses on three sectors where constraints to private investment are well-identified, reform traction is feasible within 24 months, and positive spillovers to jobs and productivity are expected (table 2.1): agri-tourism, waste management, and digital payments. These sectors were prioritized because they are mutually reinforcing, offer strong cross-sector spillovers, align closely with Albania's existing growth drivers, and present actionable reform pathways. The selection is not exhaustive and does not imply that other sectors lack investment or growth potential.

Together, reforms in agritourism, waste management, and digital payments could offer significant private investment opportunities while supporting Albania's shift toward a higher-value, more sustainable, and more productive tourism model. Agritourism can help diversify tourism away from volume-driven, highly seasonal coastal

Table 2.1

Summary Outcome of Sector Potential

Subsector	Profitability and investment potential	Contribution to job creation	Contribution to other development impacts
Agritourism	HIGH	HIGH	HIGH
Waste management	HIGH	MEDIUM/HIGH	HIGH
Digital payments	HIGH	MEDIUM	MEDIUM/HIGH

activity toward higher-value and more resilient offerings, while several of the recommended reforms could also benefit the broader tourism sector. Waste management is a critical enabler of tourism investment because destination cleanliness, environmental compliance, and reliable services increasingly influence investor confidence, visitor satisfaction, and alignment with EU standards, particularly in tourism-intensive coastal and urban areas. Digital payments, at the intersection of the growing information and communication technology (ICT) and financial sectors, can further support higher-value tourism by promoting formalization, improving service quality, and increasing spending intensity across accommodation, food services, transport, and tourism experiences, while also reducing informality and improving productivity more broadly.

These sectors therefore have important complementarities that can influence private investment across Albania's tourism value chain. This framing is consistent with the broader World Bank Group approach to tourism transformation in the Western Balkans, including the Demand-Supply-Assets framework endorsed by the government to support a shift from volume-led tourism growth toward a more diversified and higher-value model.

2.1 Selected Sectors

2.1.1 *Agritourism*

Agritourism provides a potentially viable avenue to invest in Albania's inland tourism sector. Unlike many informal or weakly regulated rural tourism offerings, agritourism

operates within a defined legal framework, supported by a national registry and certification mechanism and access to public cofinancing instruments. Together, these features can reduce regulatory uncertainty and improve bankability. Investment opportunities include (1) farm owners and agrifood enterprises upgrading accommodation, food and beverage, and visitor facilities; (2) hospitality operators and developers expanding into boutique rural lodging and experience-led products; and (3) enabling services such as booking and marketing platforms, logistics, local excursions, and quality assurance. With tourism demand growing but still concentrated in coastal and short-stay models, agritourism can capture demand for higher-value, multiday experiences, increase visitor spending, reduce seasonality, and channel investment and jobs to underserved inland areas.

Private investment in agritourism, however, is constrained by institutional and factor-market weaknesses that increase risk and weaken commercial viability. Highly seasonal demand and volatile occupancy reduce revenue predictability, while the sector's predominantly micro and family-run structure limits standardization, scale, and access to finance. These constraints are compounded by a certification regime that does not provide a sufficiently credible signal of agricultural primacy, authenticity, and quality;[11] uneven enforcement of short-term rental (STR) registration, which creates unfair competition; fragmented tourism data, which increase due diligence costs; and weak destination governance, with destination management organizations (DMOs) not yet equipped to manage visitor flows and support product diversification inland. Persistent labor and skills shortages, compounded by limited training uptake and outward mobility, further constrain growth. Together, these factors reinforce low-value, highly seasonal business models and limit investment to only shorter-term, less capital-intensive activities.

2.1.2 *Waste Management*

Rising waste generation, consumption, and tourism are creating sustained demand for modern collection, treatment, and recycling capacity in Albania. Waste management and the circular economy are becoming integral to Albania's growth model, driven by urbanization, higher consumption, and rapid tourism growth in coastal and urban municipalities. Albania's waste composition holds potential for organics treatment, material recovery, and recycling of plastics, paper, and metals, although limited source separation constrains feedstock quality and volumes. Outdated municipal fleets and infrastructure, the need to modernize landfills, and seasonal pressure on coastal systems also create opportunities for private operators with scalable logistics and advanced operational capabilities.

Private investment, however, is constrained by regulatory, institutional, and commercial weaknesses. Unclear institutional mandates, particularly regarding the

role of the newly established national waste agency, complicate project structuring and risk allocation. Short contract terms and tariffs that do not reflect costs weaken revenue predictability and limit recovery of capital investment. Fragmented permitting and unreliable waste data increase uncertainty around volumes and composition. At the same time, the predominance of mixed-waste collection and limited source separation reduce the quality of feedstock available for higher-value recycling and organics treatment. Together, these factors increase development risk and financing costs and limit private investment largely to short-term, less capital-intensive activities.

2.1.3 *Digital Payments*

Albania's ambition to transition from a cash-intensive economy to a predominantly cashless society presents opportunities for private investment in digital payments. Strong digital connectivity and high smartphone penetration provide a solid foundation for expanding electronic payments, while rapid tourism growth and the expansion of export-oriented services are increasing demand for cashless transactions. Investment opportunities span merchant acquisition, payment processing, digital wallets, compliance technology, and value-added payment services, with potential participation from banks, nonbank payment service providers, fintech firms, and technology companies. Digital payments are also central to Albania's transition toward a more formal, service-oriented economy and play a critical role in supporting tourism competitiveness, financial inclusion, and productivity growth.

Private investment, however, is constrained by limited market scale and high operating costs. Entrenched cash use suppresses demand for electronic payments and weakens network effects, while relatively low financial-account ownership and merchant acceptance limit transaction volumes. Fragmented implementation of open banking raises integration costs for new entrants, and gaps in remote onboarding, digital identity verification, and electronic signatures increase customer acquisition and compliance costs. Together, these constraints create high upfront investment requirements relative to uncertain returns, slowing market entry, innovation, and expansion in the digital payments ecosystem.

***

The following chapters examine each of these sectors in depth, assessing their market and investment potential, the constraints discouraging job-creating private investment, and articulating concrete policy actions that can be taken in the near term to alleviate these constraints.



3 Agritourism

AT A GLANCE

- Albania has strong potential to develop agritourism as a higher-value tourism segment. Rapid tourism growth, a strong agricultural base, and proximity between coastal and inland destinations could help increase visitor spending, extend stays, reduce seasonality, and strengthen links between tourism and agriculture.
- Institutional weaknesses and market gaps constrain investment. Key barriers include weak signaling from the certification, incomplete short-term rental registration, fragmented tourism data, limited destination coordination, and shortages of workers with combined hospitality and agricultural skills.
- Targeted reforms could strengthen the sector's investment potential. Priorities include credible certification and recertification with enforceable agricultural primacy, stronger short-term rental registration and reporting including through enforcement at booking platforms, protection of the agritourism label, more capable destination management organizations, and expanded skills development.
- Reforms could mobilize US$318 million–US$476 million in private investment over the medium term and create 5,200–7,700 jobs. Employment gains could include the formalization of existing informal jobs.

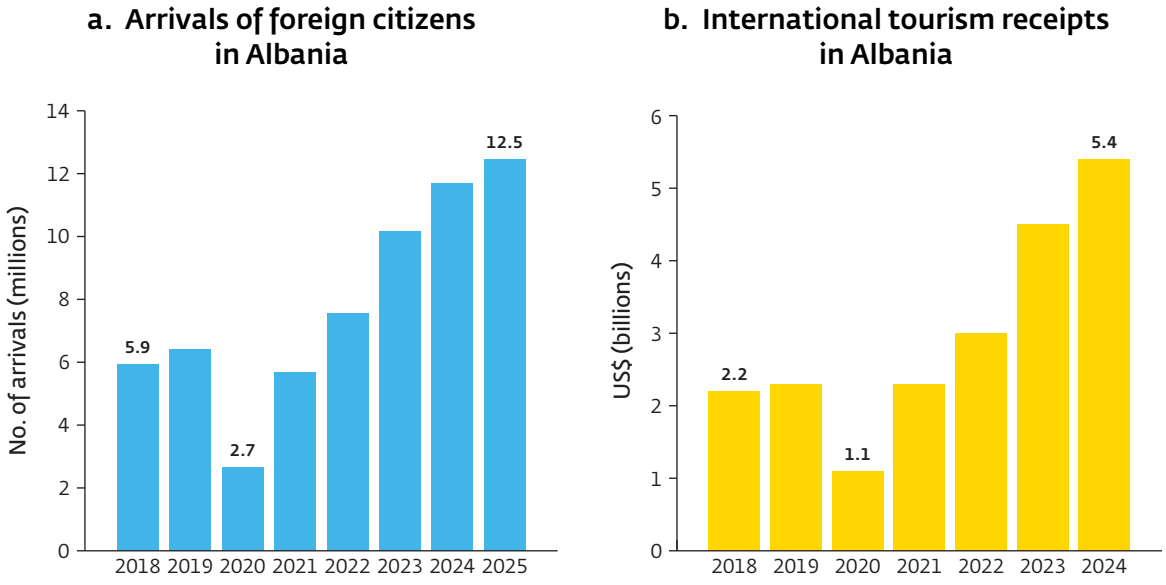
3.1 Sector Context and Private Investment Potential

Albania's tourism sector has expanded at an exceptional pace in recent years, placing the country among the fastest-growing destinations in Europe. Since 2019, foreign citizen arrivals nearly doubled, reaching around 12.5 million in 2025 (figure 3.1). Over the same period, international tourism receipts increased sharply, reaching US$6.6 billion by 2025.[12] Tourism is now a major driver of economic activity, projected to account for roughly a quarter of GDP and more than one-fifth of total employment in 2025 (WTTC 2025).

Tourism growth remains highly seasonal and geographically concentrated. Despite rapid growth in arrivals and overnight stays, Albania's tourism boom has been characterized by short stays, high seasonality, and low spending per visitor relative to countries in the Southern and Mediterranean Europe (figures 3.2 and 3.3). In 2025, overnight stays grew by more than 30 percent year on year—the highest rate in Europe—yet this growth has not translated into longer stays, higher spending per visitor, or more resilient year-round revenue streams. During the peak season from June to September, total overnight stays were more than twice in the other months combined, and about three-quarters of visitors stayed in coastal areas.[13] This pattern weakens the business case for capital-intensive and skill-intensive projects, such as agritourism lodges or integrated food and experience offerings, as those are associated with longer stays, repeat visitation, and higher average spending to recover upfront investment costs and generate acceptable returns.

Figure 3.1

Foreign Arrivals and Tourism Receipts Have Grown Rapidly

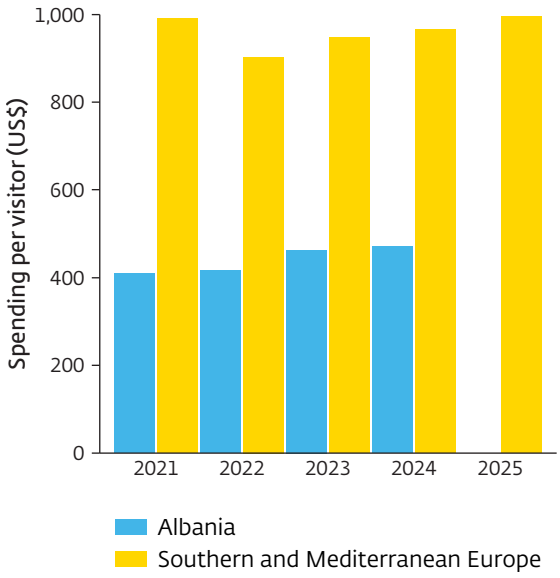


Source: Based on data from Instat and UN Tourism.
Note: Foreign arrivals refer to arrivals of foreign citizens. Tourism receipts are shown through 2024, the latest year for which data were available from UN Tourism at the time of drafting.

Figure 3.2

Spending Per Visitor Remains Modest Despite Rapid Growth in Arrivals

International tourism receipts per arrival, latest available year

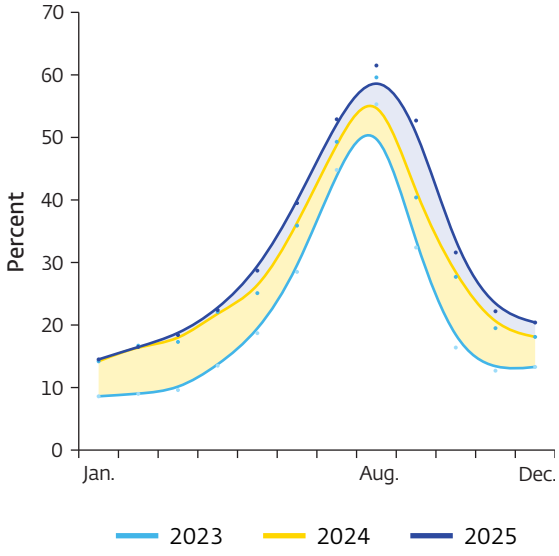


Source: UN Tourism (2026).
Note: UN Tourism reports receipts per arrival of about US$471 in 2024, the latest year available at the time of drafting. Data for 2025 were not yet available in the UN Tourism dashboard.

Figure 3.3

High Seasonality Drives Sharp Swings in Hotel Occupancy

Monthly net occupancy rate of hotel rooms (%)



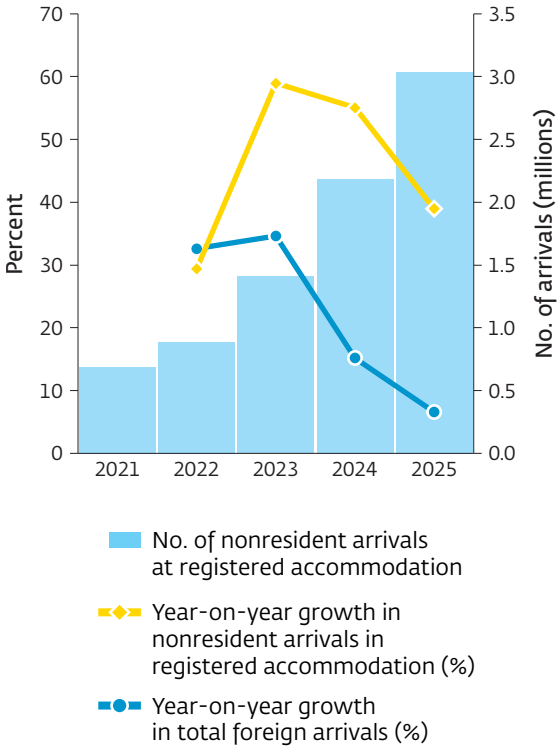
Source: Instat (2025).
Note: Instat defines net occupancy rate as occupied rooms divided by available rooms.

Despite recent progress in expanding registered accommodations, stays outside of registered settings continue to dominate Albania's tourism landscape. The number of foreign visitors using registered accommodation rose sharply since the implementation of the Law on Tourism (No. 30/2024), which expanded registration to more types of lodgings via the Central Tourism Registry (figure 3.4). Despite this, most foreign visitor nights still occur in unregistered settings, including unofficial rentals or stays with friends and family (figure 3.5). In 2025, 76 percent of Albania's 12.5 million foreigners who visited Albania stayed outside formally registered accommodation, down from 88 percent in 2021 but still among Europe's highest rates of informal lodging.[14] EU Regulation (EU) 2024/1028, taking effect in May 2026, will require all booking platforms to display registration numbers and report data; as an EU candidate, Albania must comply, making alignment urgent.

Figure 3.4

Registered Accommodation Is Expanding Faster Than Total Arrivals, from a Low Base

Growth in foreign arrivals and nonresidents staying in registered accommodation

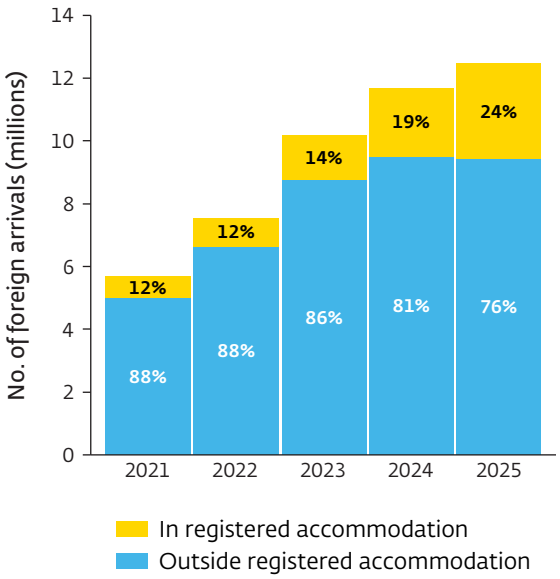


Source: Calculations based on data from Instat.
Note: The 2024 marker reflects the adoption of the new Law on Tourism (No. 30/2024), approved in April 2024, which broadened registration requirements to additional accommodation types, including apartments, rooms, and houses or villas, through the Central Tourism Registry.

Figure 3.5

Many Foreign Visitors Remain Outside Registered Accommodation

Foreign arrivals by registration status of accommodation



Source: Calculations based on data from Instat.
Note: "Outside registered accommodation" is a proxy that includes stays with friends or family and in unregistered rentals; it should not be interpreted as illegal short-term rental activity. The gap nonetheless points to incomplete registration and underreporting accommodation activity.

Formalizing and diversifying Albania's tourism offering beyond highly seasonal, volume-driven coastal tourism could increase visitor spending and length of stay. International experience shows that expanding experiential, cultural, rural, and nature-based products, such as gastronomy, wine tourism, agritourism, and outdoor activities, encourages visitors to stay longer, travel beyond primary destinations, and spend more per trip, particularly when experiences are bundled with accommodation, food, and local services (UN Tourism 2018). Evidence from comparable destinations indicates that more diversified tourism portfolios are associated with higher per-visitor expenditure, greater

resilience to seasonality, and stronger local economic linkages (World Bank Group 2023; OECD 2025a). To this end, Albania has adopted the National Tourism Strategy 2024-30 and its accompanying action plan. A national strategy of agritourism development (2024) also sets out proposed priorities, measures, and indicators for developing the sector. These policy frameworks emphasize rural product development, stronger links between agriculture and tourism, improved coordination and skills, and more sustainable and higher-value tourism.

Agritourism is one of the most credible options to attract private investment and diversify Albania's tourism offering beyond the coast. Albania's rural interior, including the Albanian Alps, the Berat and Dibra regions, the Vlorë hinterland, and dozens of preserved mountain villages, combines distinctive landscapes, cultural heritage, and an existing agricultural base that can support year-round tourism experiences. Farm-to-table dining, local olive oil and wine tastings, traditional guesthouses, and working-farm activities respond to post-COVID demand for smaller-scale, authentic travel experiences that can support premium pricing and longer stays. Critically, agritourism bundles accommodation, food and beverage, and activities in a single offering, improving revenue diversification and smoothing seasonality risk (box 3.1). It also links tourism and agriculture through short supply chains, supporting local sourcing and differentiated regional brands, which strengthens the commercial proposition for both mainstream private investors and impact-focused investors (UN Tourism 2019; OECD 2025a). Further, Albania's agritourism sector stands out as the only noncoastal tourism segment with a regulatory framework, national registry, formal certification, and EU cofinancing support. This increases the potential for agritourism to be a bankable inland tourism product.

Albania's agritourism sector is experiencing growth and benefits from significant government support. Albania's formally certified agritourism segment remains small, although a broader pipeline of establishments is developing. According to the Ministry of Tourism, Culture and Sportss, approximately 44 entities hold a final Agritourism Certificate and 92 hold a preliminary certificate and are under development. The Albanian Agritourism Association reports approximately 270 entities in its broader registry.[15] The sector's expansion mirrors increasing tourism demand and positions agritourism as a viable inland alternative or complement to coastal destinations (FAO AgriTech Observatory 2023; Albanian Agritourism Association 2024; Government of Albania 2025; FAO 2024). While the certified formal agritourism sector represents no more than 2 percent of total accommodation capacity, informal agritourism accounts for between 7 percent and 12 percent of total tourism, including an estimated 300,000–750,000 visitors per year staying in farm guesthouses and rural homestays. This registration gap presents both challenges and opportunities for investment. A large informal market indicates growth opportunities. As Albania updates tourism standards to match the EU, early investors who upgrade facilities and train staff may gain a competitive edge. Formal operators will face higher costs and

Box 3.1

What is Agritourism and Who Are the Investors It Attracts?

Agritourism encompasses tourism activities anchored in a working farm or agrifood enterprise, including farm stays and rural guesthouses, farm-to-table dining, wine and olive oil tastings, farm tours, paid on-farm experiences, and direct sales. By combining tourism and agriculture, it can attract investors from both sectors. Tourism operators, including hotels, restaurants, domestic businesses, and international chains, can use agritourism to offer unique rural experiences and boost visitor numbers year-round. Farms and agrifood businesses can use it to generate additional revenue through direct sales, hospitality, and branded experiences. Banks and other financial institutions can support these projects by financing renovations, accommodation facilities, equipment, and food-service infrastructure.

Agritourism is also a rapidly growing tourism segment worldwide. The market was valued at about US$8.1 billion in 2024 and projected to reach US$15.8 billion by 2030, equivalent to compound annual growth of about 12 percent, although it remains a small share of overall tourism spending. North America leads with 46 percent of global revenue, while the Asia-Pacific market is expected to grow rapidly, reaching US$3.4 billion by 2030. Other experience-based tourism segments, including wellness and adventure tourism, are also expanding rapidly. Agritourism's comparable growth trajectory can strengthen its investment appeal where regulatory frameworks, quality standards, and market access are sufficiently developed. Its links to local production, rural employment, and community development can also attract impact-oriented investors.

Sources: Global Wellness Institute (2023); Grand View Research (2024); US Department of Agriculture (2025); UN Tourism (2026).

competition with informal providers, but government incentives, including reduced profit tax rates, lower value added tax on accommodation and select restaurant services, and extended tax exemptions for major investments, offer support.[16]

Advancing the formalization of all tourist accommodation types, especially short-term rentals (STRs), is important for fostering a fair and competitive environment for high-quality, compliant projects in agritourism. When STRs operate within a clear regulatory framework, agritourism businesses benefit from a level playing field, where all providers are required to meet the same standards for taxation, permits, safety, and labor. This supports sustainable investments in facility upgrades, food and beverage infrastructure, and compliance with hygiene and labor regulations. Formalization also enhances the reliability of core market data (such as capacity, occupancy, seasonality, and spatial distribution of supply), allowing investors and lenders to more accurately assess the market size, assess demand trends, and make informed decisions. Aligning these measures with evolving EU approaches to regulating platform-based accommodation services and improving market transparency further strengthens regulatory credibility and supports

Albania's EU convergence agenda. Ultimately, a more formal and transparent STR sector helps agritourism projects access financing, achieve predictable returns, and contribute to the growth and visibility of rural tourism.

Improving Albania's agritourism certification framework to credibly anchor it in agricultural activity is essential for investor attraction. Although Albania has established a formal certification framework, stakeholders report that certification provides a one-off signal of compliance rather than a durable signal of ongoing quality and agricultural primacy.[17] Eligibility criteria provide limited enforceable safeguards to ensure that agriculture remains the dominant activity as the segment grows (see box 3.2 for international lessons on agritourism certification). Certified establishments frequently converge toward conventional accommodation models while continuing to benefit from agritourism-specific incentives, diluting the value of the agritourism label and eroding market differentiation (Albanian Agritourism Association 2024; FAO 2021). For financiers and equity investors, the lack of a robust, enforceable certification system raises due diligence costs and weakens confidence that compliant operators will see the brand eroded over time. The authorities are preparing amendments to the implementing decision governing agritourism certification, to make the criteria more flexible and better aligned with actual agricultural, livestock, fisheries, aquaculture, and agrifood activities, and to strengthen transparency, digitalization, and monitoring.[18]

Expanding the coverage and disaggregation of tourism statistics would support investment planning and attraction. While headline indicators such as arrivals and overnight stays are regularly published, available data lack the granularity required for investment decisions in niche, location-specific segments such as agritourism (UN Tourism 2026). Further, aggregate arrival figures do not fully distinguish between overnight tourists, same-day visitors, transit travelers, or cross-border movements, obscuring the true structure of demand and overstating effective market size (UN Tourism 2019; World Bank Group 2023). These data gaps are especially constraining for segments like agritourism, where investment viability depends on accurate information on length of stay, visitor profiles, destination-level demand, and off-season dynamics.

Enhanced coordination between public and private sector at the destination level is required to address the challenges resulting from Albania's rapid tourism expansion and to effectively direct visitor flows from coastal tourism toward alternative segments, such as agritourism. Coastal tourism is growing faster than other segments, with nearly 40 percent year-on-year growth in high-season coastal arrivals. Recent reporting indicates that Albania's rapid tourism growth has increasingly translated into price volatility, overcrowding, waste problems, and infrastructure strain in coastal destinations.[19] These dynamics weaken Albania's positioning as a predictable, value-for-money destination and reduce incentives for investors to develop agritourism products like wine

Box 3.2

Lessons from International Experience: Agritourism Certification as an Investment-Enabling Tool

International experience shows that high-value agritourism performs best where eligibility is clearly defined, quality is enforceable, and incentives reward productive agricultural activity rather than accommodation size. In mature markets such as Italy, agritourism is treated as a secondary activity linked to active farming, with legal eligibility rules and quality labels that protect the integrity of the model and improve returns to genuine agriculture-linked investment. Comparable approaches in Austria, France, Greece, Japan, Romania, and the Republic of Korea similarly link branding, market access, or incentives to active farming, service standards, and community participation. The common lesson is that voluntary branding alone is insufficient: certification must define who qualifies, what standards apply, and how compliance is maintained over time.

A second lesson is that certification can remain credible even where public inspection capacity is limited, provided monitoring is embedded in institutions with stronger incentives to enforce compliance. In Costa Rica, third-party verification and public ratings allow market discipline to reinforce standards. In Mexico and Korea's Jeju Island, monitoring is delegated to communities and cooperatives with a direct stake in protecting local assets and reputation. In Botswana, community trusts provide a formal governance structure that strengthens accountability for ecotourism operations.

Across these models, three design principles recur. First, enforcement is more effective when delegated to actors with the strongest reputational or financial stake in compliance rather than concentrated in weak state agencies. Second, certification must be tied to tangible market or fiscal benefits so that noncompliance carries a real cost. Third, certification status must be publicly visible—through ratings, registries, or platform integration—so that consumer choice and market access reinforce discipline. For Albania, these lessons point to a hybrid agritourism certification model that combines clear agricultural primacy rules with incentive-compatible enforcement, digital transparency, and periodic reverification rather than reliance on state inspection alone.

tastings, culinary classes, farm stays, and agricultural festivals that rely on longer stays, repeat visitation, and reputation-based pricing. Further, infrastructure and service failures in peak destinations divert public attention and resources away from the investment needed in rural areas, such as signage, waste services, access roads, and destination-level marketing.

Weak and fragmented destination management limits coordination and raises investor risk. The government has taken important steps to strengthen destination governance by elevating destination management as a core pillar of the National Tourism Strategy 2024–30 and introducing destination management organizations (DMOs) into the Tourism Law. Pilot DMOs and donor supported initiatives have demonstrated proof of concept for destination-level coordination, stakeholder engagement, and branding in selected locations. However, destination governance remains incomplete and uneven in practice.

Tourism requires effective policies to address persistent skills gaps, including for the hybrid skill profiles demanded by emerging segments such as agritourism. Albania's tourism industry faces recruitment challenges, with over 6,000 vacancies unfilled nationwide, 26 percent of businesses citing a lack of qualified candidates, and many employers employing temporary or foreign workers, who by 2024 accounted for approximately 10 percent of new positions opened (Rama and Polo 2024). Agritourism requires hybrid skill profiles combining agricultural knowledge, food safety, hospitality service delivery, and basic business management. Outward labor migration further constrains the talent pool, as an estimated 429,000 Albanians have emigrated over the past 13 years, with young, educated workers disproportionately represented among those departing. At the same time, 84 percent of businesses rely on informal on-the-job instruction, with frequent labor turnover and insufficient training funds, cited by 47 and 38 percent of businesses respectively (Rama and Polo 2024).

Albania has begun aligning its vocational education and training system with the needs of tourism and agritourism, but implementation gaps remain. Broader vocational education reforms and alignment with EU accession requirements have supported progress in tourism skills development. The Sectoral Committee for Hospitality and Tourism and the National Agency for Vocational Education, Training and Qualifications (NAVETQ) are updating occupational and qualification standards, while the system is expanding dual training, work-based learning, modular qualifications, and microcredentials. Existing programs cover food safety, entrepreneurship, digital competencies, practical skills, and service delivery components, and now include a dedicated agritourism profile. However, evidence remains limited on enrollment, employer participation, geographic coverage, work-based learning placements, or graduate absorption into agritourism jobs. The central challenge is therefore to translate these reforms into a broad and operational skills pipeline capable of meeting the sector's growing needs.

Albania's fragmented land structure and incomplete cadastral records create entry barriers for small farms that could otherwise support authentic agritourism investment. Most agricultural holdings are 2 hectares or smaller and often divided into several noncontiguous parcels, making it difficult for many producers to meet land-based certification thresholds even when they conduct genuine agricultural activity. Incomplete land registration and inconsistencies in cadastral records further limit the ability of rural households to document ownership or use rights in a form accepted by certification procedures. As a result, the current framework risks favoring operators with consolidated and formally registered landholdings, while excluding smallholders whose local embeddedness and agricultural activity are central to Albania's agritourism value proposition. Mitigating this constraint would require adapting certification rules to Albania's farm structure, including by recognizing documented leased, collectively used, or aggregated noncontiguous plots and linking eligible agritourism investments to targeted cadastral regularization support.

3.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. Agritourism certification does not provide a credible and durable investment signal because eligibility criteria do not reliably ensure agricultural primacy over time and postcertification enforcement is weak and inconsistent. Although certification provides access to tax incentives, grants, and official promotion, existing rules do not impose sufficiently enforceable thresholds related to land use, labor, or income, and stakeholders report that compliance checks are not carried out consistently after initial certification. As a result, certified establishments may drift toward conventional accommodation models while continuing to benefit from agritourism-specific branding, incentives, and market visibility. This weakens market differentiation, raises due diligence costs for investors and lenders, and reduces the willingness of compliant operators to invest in agriculture-linked upgrading if weaker competitors can continue operating under the same label without equivalent compliance costs. The framework is also poorly calibrated to Albania's highly fragmented farm structure, as the current one-hectare threshold and documentation requirements may exclude otherwise viable smallholders engaged in genuine agricultural activity, while favoring operators with more consolidated and formalized landholdings.[20]

RECOMMENDATION 1A. Amend the agritourism certification framework under the Law on Tourism and its implementing acts to require agricultural primacy over time, introduce mandatory periodic recertification, and make certification digitally verifiable. Certification should be restricted to registered farmers and require demonstrable agricultural primacy over the life of the investment, defined through clear and enforceable thresholds related to land use, labor allocation, or income shares. Mandatory periodic recertification should be introduced, supported by documentary verification and risk-based audits rather than routine inspections. Certification status should be automatically suspended or withdrawn if minimum compliance standards are no longer met and should be published in a centralized, publicly accessible digital registry integrated with e-Albania. Access to agritourism-specific incentives, grants, and official promotion should be conditional on holding a valid certificate. Together, these measures would restore certification as a credible quality and investment-signaling mechanism, protecting compliant investors from return-eroding competition.

RECOMMENDATION 1B. Amend the implementing acts on agritourism certification under the Law on Tourism to replace the rigid one-hectare land threshold with eligibility criteria based on demonstrable agricultural primacy and adapted to Albania's fragmented farm structure. The amended rules should allow documented leased, collectively used, and aggregated noncontiguous plots to count toward eligibility requirements, and should permit smaller holdings to qualify where applicants can demonstrate genuine and ongoing agricultural activity through farm registration,

production records, labor allocation, income shares, own-farm sourcing, or an approved agritourism investment plan. The implementing acts should also introduce a conditional certification pathway for applicants with verifiable agricultural activity but incomplete land documentation, linked to time-bound cadastral regularization and continued compliance with agricultural primacy criteria. This would broaden the pipeline of certifiable agritourism operators while preserving the credibility of certification as an investment signal.

RECOMMENDATION 1C. Amend the implementing acts under the Law on Tourism to establish a layered enforcement mechanism for agritourism certification based on periodic recertification, digital compliance reporting, and risk-based inspections, supported by accredited third-party verification where public capacity is limited. Certified operators should submit a simple periodic digital compliance file linked to the national registry, while public authorities retain enforcement and sanctioning powers and use risk-based triggers to target inspections. Accredited third-party verifiers may support selected compliance checks under clear public protocols, but should not substitute for state oversight. GIS-based remote sensing may be used only as a complementary screening tool to flag land-use inconsistencies or structural expansion, not to verify agricultural primacy or operational compliance. Together, these measures would make enforcement more systematic, reduce discretion, and strengthen certification as a credible investment signal.

CONSTRAINT 2. STR registration requirements are not yet binding for market entry, allowing unregistered units to advertise and transact at scale. Enforcement still relies largely on individual host compliance and ex post inspections, which are ineffective in a platform-mediated market with thousands of small operators. As a result, informality creates an uneven competitive environment in which compliant agritourism and quality accommodation operators face structurally higher costs without assurance that competitors will be subject to the same obligations. While the authorities are advancing separate but complementary reforms concerning digital-platform tax reporting and digital services, by drafting a law transposing EU Directive on Administrative Cooperation (DAC7) which would strengthen the collection and exchange of tax information reported by platform operators, a tourism-specific registration system and platform obligation to verify a valid STR identification would still be required to make accommodation registration a condition of market entry.

RECOMMENDATION 2A. Amend the implementing regulations under the Law on Tourism to require all STR accommodation units to obtain a unique digital registration ID through e-Albania as a condition for market entry. This would establish the legal and administrative basis for a mandatory STR registry, without which neither platform verification nor standardized data reporting can function effectively. Experience in the European Union suggests that effective STR regulation increasingly relies on

registration-based systems that can subsequently support platform verification and data sharing, as reflected in Regulation (EU) 2024/1028.[21]

RECOMMENDATION 2B. Require online booking platforms to validate and prominently display a valid Albanian STR registration ID for each listing and to refuse publication of listings without a valid ID. The draft law on the automatic exchange of information reported by digital-platform operators would establish requirements for tax-related reporting and information exchange under DAC7, while the draft law on digital services provides a further potential legal foundation for platform obligations. As these laws remain under approval, their final provisions should be reviewed to determine whether the STR verification requirement can be introduced through them, or it requires tourism-specific implementing legislation. Platforms should be subject to proportionate sanctions for systematic noncompliance. By shifting enforcement from ex post inspections to ex ante platform gatekeeping, this reform would materially reduce informality and help level the playing field for compliant agritourism investors. Reporting obligations should be introduced only once the registration system and platform verification requirements are operational.

CONSTRAINT 3. Fragmented and incomplete information on listings, occupancy, and transaction values raises due diligence costs and weakens revenue forecasting, particularly in rural and seasonal destinations where agritourism investment potential is highest. The absence of standardized, verified data on STR activity obscures the true scale, seasonality, and competitive dynamics of local accommodation markets.

RECOMMENDATION 3A. Require booking platforms to report listings, nights booked, and transaction values linked to STR registration IDs through a single national digital entry point. Adopt an implementing regulation under Law No. 30/2024 on Tourism and relevant tax legislation requiring online booking platforms to transmit standardized, automated data on registered STR activity to the government. At a minimum, platforms should report listings, nights booked, and transaction values linked to the STR registration ID, using standardized formats and defined reporting intervals.

RECOMMENDATION 3B. Operationalize the e-visitor platform developed by the Ministry of Tourism, Culture and Sportss (MTCS) as the mandatory channel for standardized visitor data reporting by tourism operators. The government should operationalize the forthcoming e-visitor platform under a supporting legal and regulatory framework that clearly defines reporting obligations, reporting frequency, common data standards, and institutional responsibilities.

RECOMMENDATION 3C. Establish a government-led protocol for validating, reconciling, and publishing aggregated tourism data generated through the e-visitor

platform. In this protocol, MTCS and the General Directorate of Taxation collect the relevant administrative data, the National Agency for Information Society (*Agjencia Kombëtare e Shoqërisë së Informacionit; AKSHI*) supports secure exchange and interoperability, and Instat accesses, validates, and reuses the data for statistical purposes and integration into official tourism statistics. Once standardized platform reporting is in place, these data should be integrated through the e-visitor platform with the national STR registry and agritourism certification databases to enable automatic validation of compliance status and consistency across tourism, tax, and statistical records. Aggregated and anonymized destination-level indicators—such as accommodation capacity, occupancy, and seasonality—should then be published to strengthen market transparency and reduce investor information gaps.

CONSTRAINT 4. Weak protection of agritourism designation undermines quality differentiation and pricing power. When uncertified or unregistered accommodation operators can freely market their business using agritourism or similar labels, quality differentiation breaks down and certification loses its value as an investment signal. This allows free-riding on agritourism branding, erodes pricing power for compliant operators, and weakens incentives to invest in agriculture-linked upgrading. For financiers and equity investors, the absence of credible, enforceable labeling mechanisms increases risk and reduces willingness to support capital-intensive agritourism projects.

RECOMMENDATION 4. Amend the implementing acts under the Law on Tourism governing accommodation classification, certification, and marketing to protect use of the agritourism designation through valid certification and STR registration. The amended acts should specify that the agritourism designation may be used in marketing, listings, official promotion, and platform-based advertising only by operators holding valid agritourism certification (Recommendations 1a, 1b, and 1c) and, where accommodation is offered, a valid STR registration ID (Recommendation 2). Certification status should be digitally linked to the national certification and STR registries, enabling verification by platforms, inspectors, consumers, and financiers. Marketing, listing, or promotion using the agritourism designation should be prohibited unless the operator appears as valid in the registry, with proportionate enforcement measures, including delisting requests and fines for repeated misuse.

CONSTRAINT 5. Most DMOs lack a clearly defined legal mandate, stable financing, and operational authority beyond marketing. This means they have limited capacity to manage visitor flows, quality standards, infrastructure pressures, environmental risks, or investment coordination at destination level. Responsibilities across national ministries, municipalities, and emerging DMOs are fragmented, creating collective action failures that individual operators and investors cannot resolve on their own. This risk is compounded by the fact that destination-level coordination must operate within Albania's broader

territorial governance system, where responsibilities across municipalities, prefectures, and central institutions are not yet fully aligned for tourism-related planning and implementation. This discourages investment projects like agritourism, whose success depends on the wider tourism ecosystem and effective destination-level promotion and investments.

RECOMMENDATION 5. Operationalize DMOs as destination-level coordinators of investment, visitor management, and product development through implementing regulations under the Law on Tourism, supported by public-private governance and predictable financing. A revised regulatory framework should explicitly assign DMOs responsibility for (1) destination-level coordination across municipalities and service providers, (2) visitor flow management and product diversification, (3) information provision to private investors and coordination with permitting and service agencies, and (4) support for destination-level quality standards aligned with agritourism certification and branding. Municipalities should participate as formal members in DMO governance structures, while prefectures should be recognized as coordination actors where destinations span multiple municipalities or require alignment with broader territorial planning and intermunicipal service provision. To ensure institutional durability, the regulation should also acknowledge that Albania's ongoing territorial reform may affect the final allocation of local and regional responsibilities and should therefore define a flexible governance framework that can be adjusted without requiring a full redesign of the DMO model. Public-private cogovernance and predictable financing mechanisms should be built into the framework from the outset (box 3.3).

CONSTRAINT 6. Agritourism investors face persistent labor constraints because technical and vocational education and training (TVET) and recognition of prior learning (RPL) reforms have not yet translated into an operational skills pipeline for agriculture-linked tourism businesses. While Albania has made progress in updating its vocational education and training framework and has established the legal and institutional foundations for RPL, these reforms have not yet clearly produced agritourism-relevant pathways at the level of implementation. Implementation tools, trained assessors, accredited delivery points, and practical recognition channels remain incomplete, particularly for returnees with tourism- and agriculture-related experience acquired abroad. As a result, agritourism operators continue to face shortages both in newly trained workers and in experienced returnees whose skills are not yet systematically recognized or matched to sector needs, raising operating risk and limiting the scalability and quality of agritourism business models.[22]

RECOMMENDATION 6. Expand employer participation, geographic coverage, and work-based learning, including by creating a credible certification pathway for skilled return migrants with tourism work experience acquired abroad. First, building on

Box 3.3

Financing Models for Destination Management Organizations—Good Practices

Destination management organizations (DMOs) require stable and diversified funding to fulfill their coordination, marketing, and product development functions. International good practice points to three principles: governments should provide dedicated core funding to ensure institutional legitimacy; this funding should be stable and recurrent rather than project-dependent. Revenue diversification across public allocations, tourism-related levies, and private sector contributions is a hallmark of financially resilient DMOs.

A common governance model is a public-private partnership (PPP) structured as a nonprofit entity that brings together public authorities, private operators, and community representatives. This model fosters innovation and agility, but its effectiveness requires committed public funding to remain viable.

European comparators illustrate how diversified financing works in practice. Italy relies heavily on accommodation-based levies, or *tassa di soggiorno*, with cities such as Florence generating nearly €77 million annually from tourist taxes. These revenues are channeled toward destination promotion, heritage maintenance, and public services.[a] Croatia, under its Sustainable Tourism Development Strategy 2030, is actively transforming its statutory tourist boards into full-service DMOs, combining national and EU funding with participation from the private sector and NGO at the regional and local levels (Croatia, Ministry of Tourism and Sport 2022; OECD 2024c). Austria operates a multilayered system anchored by the Österreichische Hotel- und Tourismusbank, a national PPP between the government and private banks that provides subsidized financing and guarantees to tourism SMEs, with regional development agencies cofinance tourism infrastructure alongside DMO activities.

Across these models, contributions from businesses within a defined area are emerging as an effective mechanism for financing DMOs because they link DMO resources directly to tourism activity and private participation. More broadly, where DMO financing is linked directly to tourism activity, such as through accommodation levies tied to registered overnight stays in Italy, revenues tend to grow with the sector and provide greater predictability for multiyear planning than reliance on annual budget negotiations alone.

a. Municipality of Florence, "Imposta di Soggiorno – Informati," https://servizi.comune.fi.it/servizi/imposta-di-soggiorno-informati.

the existing RPL framework and AQF-aligned roadmap, NAVETQ in partnership with the MTCS and the Ministry of Agriculture and Rural Development should develop assessment tools, train assessors, accredit delivery points, and pilot skill recognition pathways for occupations relevant to hospitality, food services, rural tourism, and agriculture-linked visitor services. Second, Albania should negotiate partnerships with key migration destination countries—notably Italy and Greece—so that Albanian workers' competencies are verified against the European Qualifications Framework (EQF) while still abroad and formally certified upon return. The alignment of Albania's quality assurance standards

with EQF levels would build the mutual trust necessary for bilateral credential validation. A functional RPL system, anchored in EQF alignment and supported by accreditation agreements, would enable agritourism enterprises to recruit certified, experienced workers from the returnee pool, raising the quality of the visitor experience and improving income prospects for returning migrants (World Bank 2023, 2024a; Acosta et al. 2025).

The most immediate priorities are the reforms that strengthen certification credibility, make STR registration binding in practice, and improve market data. Recommendations 1, 2a, 2b, 3a, and 3b are foundational because they directly affect fair competition, compliance visibility, and the quality of information available to investors; without them, later measures will have a weaker effect. Recommendation 4 on protecting the agritourism designation and Recommendation 5 on operationalizing DMOs are important follow-on reforms that help deepen quality differentiation and destination-level coordination once the formalization architecture is in place. Recommendation 6 on skills remains important for medium-term scaling, but its full investment impact depends on first improving the credibility, transparency, and enforceability of the market framework.

3.3 Impact

Implementing these policy actions could contribute to the achievement of between US$318 million and US$476 million in private investments in agritourism and the creation of between 5,200 and 7,700 jobs over the medium term, including between 1,900 and 3,100 informal jobs converted into formal ones. The reform package would create jobs through two complementary channels. First, hospitality investors would finance lodging, food service, and experience-based upgrades that generate direct employment in construction, accommodation, food and beverage, guiding, transport, maintenance, and destination services. Second, agribusiness and agro-processing investors would strengthen local supply chains by investing in processing, packaging, quality assurance, logistics, procurement, and retail activities (e.g., tasting), while both investor groups would expand indirect employment through local suppliers and help shift seasonal and informal work into more formal, year-round jobs. These estimates assume that the majority of or all recommendations are implemented.[23] The detailed methodology for these estimates is described in appendix A.

Beyond these quantified estimates, the proposed reforms would have broader development impacts by strengthening rural economies, raising household incomes, and improving the competitiveness of Albania's wider tourism sector. By enabling agritourism operators to formalize, upgrade facilities, and connect more effectively with local farmers, food producers, guides, transport providers, and service firms,

the recommendations would help spread tourism benefits beyond coastal and urban centers into rural communities where job opportunities are more limited. This would support higher and more stable rural incomes, create incentives for young people, and return migrants to engage in agriculture-linked tourism, and deepen local value chains around food, culture, and nature-based experiences. Importantly, many of the proposed reforms—such as stronger accommodation registration, better tourism data, more credible certification, improved destination coordination, and skills development—would benefit not only agritourism but tourism more broadly, enhancing the quality, transparency, and investment readiness of a sector that has become a central driver of Albania's economic growth.

Table 3.1

Policy Recommendations to Remove Impediments to Private Investment in Agritourism

Constraints	Recommendations	Responsible public sector entities
1. Agritourism certification does not provide a credible and durable investment signal because eligibility criteria do not reliably ensure agricultural primacy over time and post-certification enforcement is weak.	**1a.** Amend the agritourism certification framework under the Law on Tourism and its implementing acts to require agricultural primacy over time, introduce mandatory periodic recertification, and make certification digitally verifiable. ***Priority:*** Foundational **1b.** Replace the rigid one-hectare land threshold with eligibility criteria based on demonstrable agricultural primacy and adapted to Albania's fragmented farm structure. ***Priority:*** Foundational **1c.** Establish a layered enforcement mechanism for agritourism certification based on periodic recertification, digital compliance reporting, and risk-based inspections, supported by accredited third-party verification where public capacity is limited. ***Priority:*** Foundational	Ministry of Tourism, Culture and Sports (MTCS)—*lead*; Ministry of Agriculture and Rural Development (MARD); National Agency for Information Society (AKSHI); cadastral authorities as relevant for conditional certification and land documentation support
2. Short-term rental registration requirements are not yet binding for market entry, undermining fair competition.	**2a.** Require all short-term rental accommodation units to obtain a unique digital registration ID through e-Albania as a condition for market entry. ***Priority:*** Foundational **2b.** Require online booking platforms to validate and prominently display a valid Albanian short-term rental registration ID for each listing and refuse publication of listings without a valid ID. ***Priority:*** Foundational	MTCS—*lead*; AKSHI; General Directorate of Taxation; local governments as relevant for fiscal and regulatory measures
3. Fragmented and incomplete information on listings, occupancy, and transaction values raises due diligence costs and weakens revenue forecasting, particularly in rural and seasonal destinations.	**3a.** Require booking platforms to report listings, nights booked, and transaction values linked to short-term rental registration IDs through a single national digital entry point. ***Priority:*** Foundational	MTCS—*lead* for tourism reporting requirements; General Directorate of Taxation, fiscal and transaction data;

(Table continues next page)

Table 3.1

Policy Recommendations to Remove Impediments to Private Investment in Agritourism *(continued)*

Constraints	Recommendations	Responsible public sector entities
	3b. Operationalize the Ministry of Tourism, Culture and Sportss e-visitor platform as the mandatory channel for standardized visitor data reporting by tourism operators. ***Priority:*** Foundational **3c.** Establish a government-led protocol for validating, reconciling, and publishing aggregated tourism data generated through the e-visitor platform. ***Priority:*** Foundational	AKSHI, system interoperability and secure exchange; Instat statistical validation and production
4. Weak protection of agritourism designation undermines quality differentiation, pricing power, and incentives to invest in agriculture-linked upgrading.	**4.** Amend the implementing acts under the Law on Tourism governing accommodation classification, certification, and marketing to protect use of the agritourism designation through valid certification and short-term rental registration. ***Priority:*** Follow-on	MTCS—*lead*; MARD; AKSHI
5. Most destination management organizations lack a clear legal mandate, stable financing, and operational authority beyond marketing, limiting destination-level coordination and raising investor risk.	**5.** Operationalize destination management organizations as destination-level coordinators of investment, visitor management, and product development through implementing regulations under the Law on Tourism, supported by public-private governance and predictable financing. ***Priority:*** Follow-on	MTCS—*lead*; municipalities; prefectures where destinations span multiple municipalities; AKSHI; Instat provider of official statistical inputs for destination planning and monitoring
6. Agritourism investors face persistent labor constraints because technical and vocational education and training and recognition of prior learning reforms have not yet translated into an operational skills pipeline for agriculture-linked tourism businesses.	**6.** Expand employer participation, geographic coverage, and work-based learning, including by creating a credible certification pathway for skilled return migrants with tourism work experience acquired abroad. ***Priority:*** Follow-on	Ministry of Economy and Innovation—*lead* for TVET; National Agency for Vocational Education, Training and Qualifications; MTCS; MARD; National Agency for Employment and Skills; Ministry of Education



4 Waste Management

AT A GLANCE

- Albania's waste management and circular economy sectors are entering a growth phase, driven by European Union–aligned legislation and rising waste volumes from economic and tourism activity, creating opportunities for private participation. These include collection, sorting, recycling, and treatment, as well as potential public-private partnerships (PPPs) in landfill rehabilitation, energy recovery, and regional infrastructure development.
- Private investment in the sector is discouraged by uncertainty over opportunities for private participation under the broad mandate of the new National Agency for Waste Economy (AKEM), short contracts, non-cost-reflective tariffs, fragmented and unpredictable permitting, unreliable waste data, lack of waste separation at source, and illegal dumping.
- Targeted reforms could improve project viability and private participation. Priorities include publication of PPP and procurement pipelines for infrastructure and waste services by AKEM, longer-term service contracts, uniform cost-reflective tariff methodology, preapproved regional sites with coordinated permitting, reliable waste data and tracking, and incentives for source separation and formalization.
- Reforms could mobilize up to US$263 million in investment over a five-year period, while creating up to 5,300 jobs, including the conversion from informal to formal jobs, across collection, sorting, and material recovery.

4.1 Sector Context and Private Investment Potential

Albania's waste management and circular economy are at a turning point, driven by EU accession momentum, rising waste volumes from economic and tourism growth, and a new policy framework that opens opportunities for greater private participation across the value chain. Law No. 57/2025 on Integrated Waste Management (IWM) harmonizes Albania's framework with EU directives and introduces the waste hierarchy, the polluter-pays principle, and extended producer responsibility (EPR). Under the EPR framework, producers and importers take financial and organizational responsibility for collection, sorting, recycling, and recovery of major waste streams—especially packaging and other high-volume materials. This framework could stimulate investment in collection and recycling systems, compliance programs, and producer responsibility organizations while ensuring a more reliable supply of recyclable materials to private investors. The 2020–35 National IWM Strategy complements these reforms by setting targets for recycling, organic waste processing, and reducing landfill use across ten regional waste zones (Basel ISWM 2020–2035). EU accession will also require substantial investment in waste-treatment facilities, reporting mechanisms, and institutional capability. The European Environment Agency's (EEA) 2025 environmental profile emphasizes waste management and circularity as fundamental components of Albania's alignment with the Green Agenda (EEA 2025). In addition, the OECD's 2026 roadmap highlights waste management as one of Albania's two most promising sectors for advancing the circular economy (OECD 2024a).

Alongside this legislative foundation, the government has taken concrete institutional steps that underscore its reform commitment, signaling progress from policy design to institutional and programmatic delivery. Recognizing chronic underinvestment and the limits of a fragmented, municipally led model, the government has created a national vehicle to drive sector transformation. Building on the IWM Law, the Decisions of Council Ministers (DCMs) No. 37, 392, and 393 (2026) established and capitalized AKEM as a wholly state-owned company with a broad mandate for planning, developing, administering waste-treatment infrastructure, and monitoring IWM plans at local and national levels. In addition, DCM No. 286 (April 2026) adopted the National Waste Prevention Program, prioritizing prevention and preparation for reuse at the top of the waste hierarchy in line with the EU acquis.

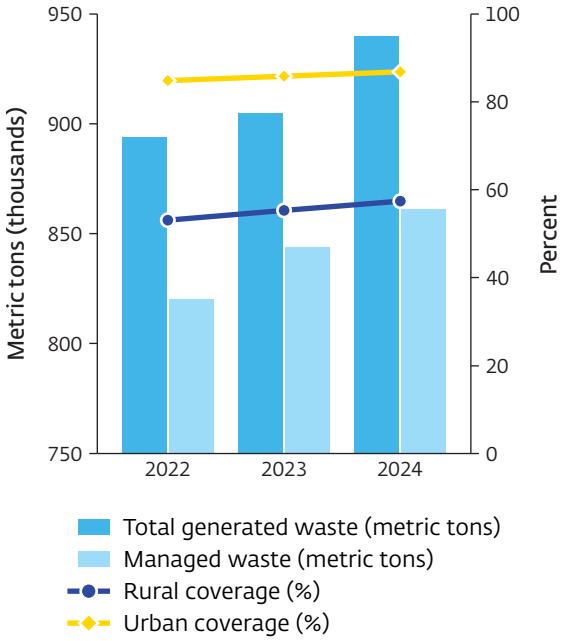
Trends in waste generation, service coverage, and consumption point to an expanding market. Albania managed 862,000 tonnes of municipal solid waste in 2024 (figure 4.1) and is projected to have more than 931,000 tonnes to manage by 2050 under a business-as-usual scenario (Cook et al. 2026).[24] At the same time, annual per capita waste generation has reached 360 kilograms in 2024, reflecting economic growth, rising disposable incomes, postpandemic recovery in consumption and a surge in seasonal tourism.

These pressures are most acute in rapidly urbanizing centers and tourism-intensive municipalities during the summer months. In 2025, Albania recorded 12.5 million foreign tourist arrivals, while over 3.2 million foreign tourists stayed in registered accommodation—a 70 percent increase from 2021. More than 62 percent of these registered tourists were concentrated between June and September, placing considerable strain on waste management systems. Tourism hotspots such as Durrës and Sarandë have reported several-fold increases in summer waste volumes, overloading collection fleets and disposal facilities (figure 4.2).[25] Illegal dumping, particularly of household and construction waste along riverbeds, mountain roads, and hillsides, can adversely affect visitor perceptions, creating reputational and investment risks for tourism-dependent destinations.

Albania's waste composition signals potential for organics treatment, material-recovery facilities, and secondary-materials industries. Organics account for 57 percent of the municipal waste stream, broadly consistent with Southern and Eastern European

Figure 4.1

Waste Volumes are Rising While Service Coverage Remains Uneven

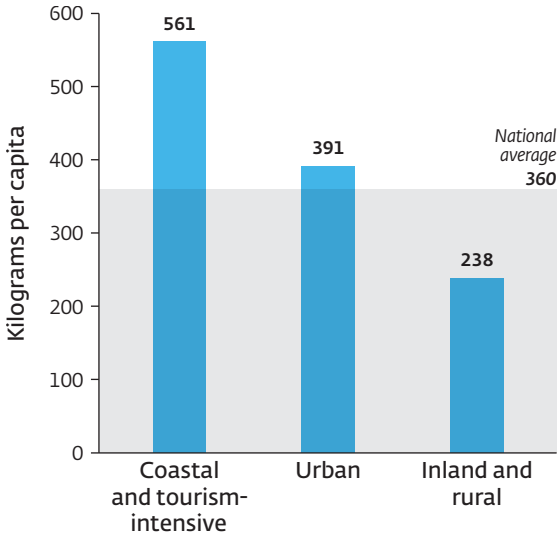


Source: Instat Urban Waste Statistics for waste generated; EEA (2025).
Note: The service coverage figures are estimates for the range of urban and rural service coverage over the period 2023–24.

Figure 4.2

Tourism Significantly Increases Waste Generation in Coastal Municipalities

Average per capita waste generation, by municipality, 2024

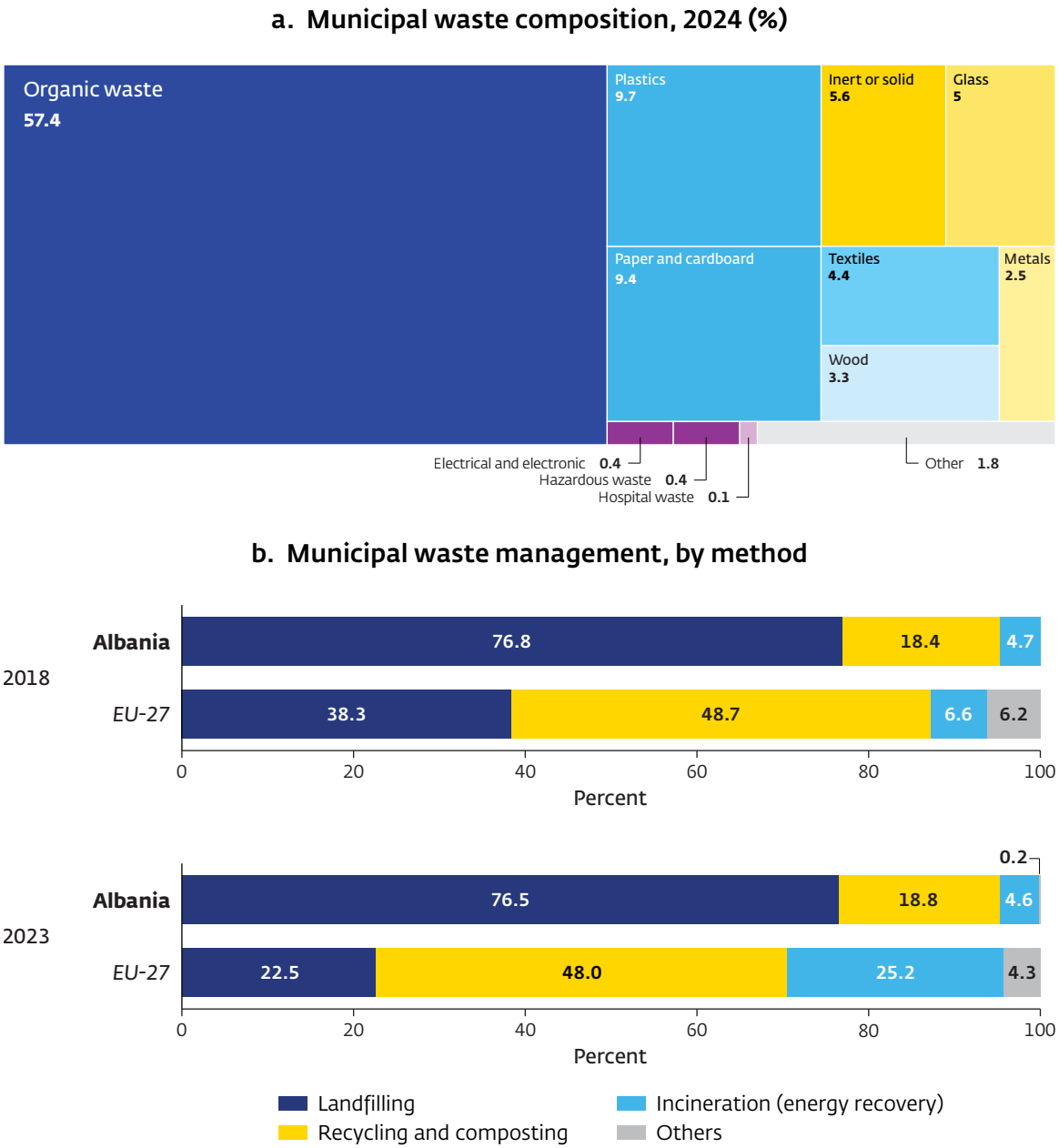


Source: Data for waste generation are from AKM (2024, table 45); population data from 2023 Census.
Note: Per capita waste generation is calculated as total municipal waste divided by the municipality's population.

countries where food waste and biodegradable materials dominate. Plastics and paper and cardboard each account for roughly 9–10 percent. While Albania's recovery rates are well below EU averages (figure 4.3), the material base is well aligned with standard recycling value chains (EEA 2025).[26] The gap is widening rather than closing: between 2018 and

Figure 4.3

Albania Recycles Less and Landfills More than the EU



Source: Calculations based on data from Instat and Eurostat.

2023, the EU-27 reduced its landfill share from around 38 to 22 percent while significantly expanding incineration with energy recovery, whereas Albania's treatment profile barely changed, with landfilling still accounting for 76 percent of municipal waste. Enhanced collection and sorting could swiftly increase throughput and strengthen Albania's integration into European secondary materials supply chains (Kola Cerpja 2024).

However, the upstream waste systems have not provided sufficient and predictable feedstock to motivate private investment in such operations. Household-level waste separation is nearly absent, leaving recyclable materials mixed, contaminated, largely destined for landfills. The recycling capacity is highly sensitive to feedstock availability, as indicated by the sharp contraction of the sector following the 2013 waste import ban,[27] with active recycling companies reportedly declining by around 90 percent. Although Albanian recyclers have advanced processing capabilities such as modern baling, shredding, and sorting and maintain active relationships with downstream markets in Italy, Türkiye, Greece, and other EU countries (GIZ 2025), they operate below capacity as household waste flows are irregular, contaminated, and supplemented mainly by informal recovery rather than systemic separation at source (EEA 2025). Private investment will therefore depend on reforms that make waste flows more predictable, revenues contractually secure, and feedstock investable, including EPR implementation, regional facility development, and stronger collection and sorting systems. At the same time, imports of recoverable material streams—which could support financial viability of capital-intensive recycling facilities—may remain operationally and politically difficult to justify in the absence of a clear track record in waste separation and traceability.

The waste sector includes a mix of public, private, and informal actors, with varying capabilities and market reach, in a currently linear value chain from collection to landfill disposals. Municipal-owned companies remain the predominant collection operators in many municipalities (e.g., in Vlorë, Durrës, and Fier), managing both collection and landfill operations. These firms typically receive contracts directly from municipalities without competitive tendering. Private operators, by contrast, compete through open tenders, but most are awarded short-term contracts of three years, occasionally five, which are too short to recover investments in fleets, depots, bins, and digital management systems. Some municipalities have moved toward outsourcing: Shkodër, Kavajë, Sarandë, and Korçë have contracted private companies for collection services, reflecting a hybrid model that combines public ownership with contracted private service delivery. At the more developed end of the spectrum, the 25-year collection PPP in Tirana and the 20-year operation and maintenance agreement at the Bushat landfill in Shkodër demonstrate that some private firms have the institutional familiarity and operational capacity to manage large, complex contracts. These cases remain exceptions.

Waste composition, geography, and population shape varied investment opportunities across the country. Nearly 90 percent of waste comes from households and municipal sources, creating urban and peri-urban treatment prospects for organics and recyclables,[28] while limited rural service coverage, tourism-driven seasonal peaks, and rapid urban growth increase demand for scalable collection, logistics, and transfer capacity. Rapid urban growth, especially in Tirana, has widened the gap between waste generation and infrastructure, highlighting the need for sector improvement. Many municipalities use outdated fleets, inconsistent containerization, and non-engineered disposal sites. Interest in modern logistics and digital tools is rising, and private firms are signaling readiness to expand recycling of plastics, paper, and metals, subject to sufficient and predictable feedstock, to reduce landfilling. The national framework plans regional management zones under AKEM's zonal planning architecture, forming the basis for these changes, though implementation is still early (Basel Convention Secretariat 2020).

The linearity of Albania's waste value chain and the obsolescence and limited remaining capacity of existing landfills leave significant potential for private investment across multiple segments. Investment potential is strong in several areas, including high-capacity sorting, logistics, and material recovery in Tirana and the central corridor; flexible collection systems managing seasonal surges in coastal municipalities; and organics treatment linked to biodegradable waste streams in agricultural regions in the west and southeast of the country. Albania's operational landfills are approaching or have exceeded their design capacity, with several sites serving rapidly growing urban and tourism-intensive areas facing critical shortfalls in remaining lifespan. Additional opportunities therefore exist in landfill modernization and rehabilitation, including leachate treatment, gas capture systems, and engineered-cell expansions, where projects are structured through predictable multiyear contracts or PPPs (box 4.1). Waste-to-energy may play a transitional role in managing residual mixed-waste streams while upstream separation systems mature, provided procurement, contract management, and regulatory oversight are credible enough to ensure value for money and environmental compliance (box 4.2).

Despite these opportunities, the sector's investment case is constrained by weak financial sustainability in municipal waste services. Insufficient cost recovery, due to short-term contracts, underpriced tariffs, and dependence on subsidies, limits the ability of municipalities to maintain infrastructure, invest in upgrades, or form long-term partnerships. Tariffs typically cover only 40 percent of service costs (EEA 2021), with the remainder financed through municipal budgets and intergovernmental transfers. The cleaning tariff, the primary revenue instrument for waste services, is applied inconsistently across municipalities: households are billed by address, businesses by turnover or profit rather than on waste generated. Many municipalities continue to use nonengineered dumpsites with no disposal charge, leaving environmental and social costs largely unpriced. Together with widespread informal collection and recycling, these distortions

Box 4.1

Transitioning Unsanitary Landfills to Sanitary Facilities through PPPs

Well-structured PPPs provide a viable pathway to support transition of unsanitary landfills to sanitary facilities.

Initial experience demonstrates feasibility. In Bushat, a private operator manages landfill operations under a long-term arrangement, showing that private participation can be effective when roles and responsibilities are clearly defined. Building on this, several PPP models could be deployed:

- ***Integrated rehabilitation with energy recovery in large urban areas.*** In metropolitan areas such as Tirana, PPPs could combine landfill closure and rehabilitation with waste-to-energy facilities. The Vinča landfill in Serbia is a relevant example: a €300 million PPP integrated site remediation was used to close a large unsanitary dumpsite and to construct and operate a facility alongside a new sanitary landfill under a single long-term concession. This integrated approach highlights the value of embedding residual waste treatment within broader sector modernization strategies—particularly those addressing the remediation of unregulated dumpsites and legacy unsanitary landfills.
- ***Integrated waste-management centers without waste-to-energy facilities.*** Existing landfill sites can be redeveloped as multifunctional waste-treatment centers that combine site rehabilitation with sorting and composting facilities. The Biljane Donje Waste Management Center near Zadar, Croatia, illustrates this model by integrating recovery infrastructure (a sorting line, composting facility) with modern sanitary landfill cells while addressing legacy environmental risks.
- ***Stand-alone landfill rehabilitation.*** PPPs can also focus solely on upgrading landfill operations through the installation of environmental controls, developing sanitary cells, and ensuring compliant closure. Similar approaches have been implemented in cities such as Kampala, prioritizing environmental compliance over energy recovery.

For all models, particularly those without energy revenues, gate fees must reflect full life-cycle costs, including rehabilitation, operations, new cell development, and final closure.

reduce revenue predictability, elevate operational risks, and deter formal private sector participation in waste treatment, slowing the transition to modern, sustainable waste management systems.

Further, two cross-cutting issues condition the viability of private investment across the entire sector: informality and governance weakness. Albania's waste sector is characterized by uneven municipal capacity, weak enforcement, and substantial local discretion in service delivery, conditions that are especially acute in tourism-intensive municipalities. Beyond this, informal practices, ranging from unregistered collectors to illegal dumping, undermine the reliability of waste volumes available to licensed operators and treatment facilities, pointing to the need for stronger incentives for formal participation, improved cost recovery, and consistent municipal enforcement. At the same time, the institutional

Box 4.2

Incineration and Waste-to-Energy in Albania

In European Union (EU)–aligned waste systems, energy recovery plays a residual but necessary role, alongside prevention, reuse, and recycling. In the EU-27, municipal waste treatment in 2024 comprised approximately 51 percent recycling and composting, 25 percent incineration with energy recovery, and 22 percent landfilling (Eurostat 2026), underscoring the persistence of residual waste even in advanced circular systems. Waste-to-energy facilities therefore complement, rather than replace, recycling as downstream components of an integrated system.

Albania's waste volumes and composition suggest potential for thermal treatment over the medium term. Current system conditions, however, constrain its viability. High reliance on landfilling, limited source separation, high contamination, uneven service coverage, and pronounced seasonal fluctuations result in inconsistent, lower-quality feedstock for waste-to-energy facilities.

Waste-to-energy investment also requires strong governance and predictable commercial conditions. Projects are capital intensive and typically involve long-term concessions, requiring stable waste flows, cost-recovery tariffs, clear contractual frameworks, and credible regulatory oversight. These characteristics make such investments particularly exposed to weaknesses in Albania's waste sector governance, including ambiguous institutional mandates, fragmented permitting, weak contract monitoring, and procurement irregularities.

Recent incineration concessions in Tirana and Elbasan have been subject to investigations related to noncompetitive procurement and implementation. This has raised concerns about value for money, fiscal exposure, and the independence of contracting processes.

The implication is not that Albania should exclude energy recovery from its future waste management system, but that sequencing and governance preconditions are critical. Waste-to-energy investment should be pursued only after the upstream conditions for reliable feedstock are in place and the institutional capacity for competitive, transparent, and monitorable procurement has been demonstrated. Technology choices should therefore be aligned with both waste-system needs and institutional capacity.

Sources: Eurostat (2026).

framework would benefit from a clearer allocation of responsibilities between central and local authorities, including a more clearly defined AKEM's public service obligations, alongside procurement practices that strengthen transparency, competition, and investor confidence. Together, informality and governance weaknesses constitute a structural barrier to attracting credible private capital. Addressing them will require measures that reduce discretion, improve traceability and data verification, and create more predictable revenue and contractual frameworks where enforcement remains weak.

4.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. AKEM's broad and combined responsibilities for planning, oversight, infrastructure development, and waste-service operations may create uncertainty about where and how private investment can participate. Recent reforms have established AKEM as a key institution responsible for advancing IWM, with a broad mandate including commercial service delivery. As AKEM becomes operational, there is an opportunity to further clarify governance arrangements, responsibilities across institutions, and the mechanisms through which private investment can participate in infrastructure development and service delivery to avoid the risks blurring accountability for performance, compliance, and cost control, which could in turn deter private investment by creating uncertainty over market access, competitive neutrality, and the allocation of commercial and regulatory risks in developing and operating priority regional waste infrastructure.

RECOMMENDATION 1A. To facilitate waste services delivery through a range of public, private, and mixed-provider arrangements, AKEM should publish a rolling multiyear pipeline of PPP and other procurement opportunities for infrastructure and waste services. Within the institutional model established by DCMs, AKEM should identify infrastructure development and waste services that can be delivered by private or mixed public-private providers. These should be put up for competitive tender. AKEM should publish and annually update a multiyear infrastructure pipeline covering all planned regional waste management investments, including PPP and other procurement opportunities with clearly defined public service obligations (e.g., specifying minimum service coverage and performance standards), in line with AKEM's own public service obligations. A published pipeline converts informal market signals into a structured investment schedule, giving operators and lenders the advance visibility needed to allocate development budgets, commission feasibility studies, and possibly secure financing.

RECOMMENDATION 1B. Require AKEM to publicly report a set of auditable performance indicators. AKEM should monitor and publicly report indicators covering service coverage, data quality, and completeness of municipal reporting to the national waste registry, waste hierarchy performance (recycling, recovery, and disposal) rates, facility environmental compliance, and procurement and contract compliance rates, reported at the zone and national levels against targets. These indicators must be independently verifiable. Together with a clearly published project pipeline, transparent performance reporting would reduce perceived regulatory risk, strengthen market contestability, and increase investor confidence in the sector.

CONSTRAINT 2. Short contract tenors prevent private operators from recovering capital investments and weaken incentives to improve service quality. No landfills operate under long-term agreements, with the exception among Albania's 61

municipalities of only Tirana's collection operator. Among the country's four sanitary landfills, only the Bushat regional landfill operates under a long-term agreement. Short tenors increase refinancing risk, deter new entrants, and favor low-investment service models. They also reinforce municipal reliance on direct provision or repeated short-cycle contracting, preserving local discretion while weakening competition and bankability. Without longer contractual horizons, private operators and lenders are unlikely to commit capital on terms consistent with system modernization.

RECOMMENDATION 2. Mandate open competitive tendering for waste collection services, with contract durations calibrated to ensure cost recovery and investment viability. The Council of Ministers should issue implementing regulations under Articles 27(8) and 31(7) of the IWM Law establishing open competitive procurement as the default rule for municipal waste collection services. Contract duration should reflect capital intensity, asset life, risk allocation, and investment viability; capital-intensive contracts may require 10–15 years or longer, as regional precedents illustrate.[29] Standard bidding documents and performance-based contracts should require licensing under Articles 68–69, auditable service indicators, and seasonal flexibility in tourism-intensive municipalities. Contracts should also establish service thresholds, periodic performance reviews, corrective measures, and transparent renegotiation clauses to prevent underperformance from going uncorrected and to preserve competitive discipline. Given the financial and political significance of long-term contracts, key financial terms should be published, while tender design, award decisions, and compliance should undergo independent ex ante evaluation and central review by the authority in charge of oversight. A phased rollout, beginning with larger or tourism-exposed municipalities, would help establish precedent before nationwide implementation. Municipal companies can compete under the same rules as private bidders, while direct awards are phased out.

CONSTRAINT 3. Non-cost-reflective tariffs weaken commercial viability and reduce operators' ability to invest in durable service improvements. Waste tariffs in Albania are not consistently linked to the costs of collection, transport, treatment, and compliant disposal. As a result, operator revenues vary widely across municipalities and are often insufficient to sustain service quality or recover capital investments. Where tariffs are politically determined and subject to annual local discretion, operators and lenders face uncertainty over future cash flows. In an environment where enforcement remains weak, inadequate ring-fencing further reduces confidence that tariff rules will be applied consistently.

RECOMMENDATION 3. Adopt a uniform, cost-reflective tariff methodology and phase in its application across municipalities. The government should adopt a national tariff methodology requiring municipalities to set the cleaning tariff on the basis of operating costs, capital recovery, and environmental compliance costs rather than

based on ad hoc local practices.[30] Because immediate full cost recovery may be politically difficult, the reform should be phased in, with annual disclosure of tariff calculations and temporary, transparent transition support where necessary.[31] Affordability concerns should be addressed through targeted social support outside the service contract. Application of the national formula should be tied to access to relevant transfers, infrastructure support, or regional facility participation, and service revenues should be ring-fenced for waste operations. The framework should allow tourism-intensive municipalities to apply transparent seasonal adjustments or tourism-linked surcharges where documented visitor inflows materially increase waste volumes and service costs. A formula-based, publicly disclosed tariff regime would improve revenue predictability and strengthen contract bankability.[32]

CONSTRAINT 4. Unpredictable permitting and unresolved site-readiness issues increase development risk and delay project preparation. Permitting procedures for waste infrastructure remain difficult to navigate, and in some locations land-use designation, title, or access issues remain unresolved until late in project preparation. This shifts avoidable site risk to private sponsors at the point at which development resources are being committed. Uncertain timelines and unresolved site conditions deter feasibility work, complicate bid pricing, and impede access to development finance.

RECOMMENDATION 4. Designate prepermitted facility zones in each of Albania's 10 waste regions, with land ownership, zoning, environmental screening, and technical requirements resolved before procurement. The government should identify priority sites through regional planning and assign a lead public entity to complete site-readiness actions before procurement. These should include confirmation of land ownership or access, resolution of zoning and land-use issues, preliminary environmental screening, and publication of a standard technical dossier for each site. Because permitting uncertainty is difficult to allocate contractually, the public sector should reduce site risk before market engagement.

CONSTRAINT 5. Weak and inconsistently verified data on waste volumes and composition undermine planning, contracting, and investment decisions. Waste quantities, service coverage, separation levels, and landfill flows are reported with significant gaps and inconsistencies.[33] Inconsistent weighing, weak reconciliation of facility inflows and outflows, and limited tracking of waste streams make it difficult for investors and lenders to size facilities or forecast revenues with confidence. These weaknesses persist not only because systems remain underdeveloped, but also because reporting is unevenly enforced and payments are not systematically conditioned on verifiable data.

RECOMMENDATION 5A. Require all landfills and transfer stations to install calibrated weighing systems and digital tracking tools and make weighing

mandatory for all incoming loads. This should be introduced through a national technical standard specifying minimum equipment, calibration intervals, data fields, and reporting frequency. Because reporting obligations alone are unlikely to be effective, compliance should be linked to operator payments and licensing. Mandatory weighing would close critical data gaps and provide a more reliable basis for facility sizing and revenue modeling. In the specific case of PPPs, eligibility should be conditional on data compliance, making the rule self-enforcing.

RECOMMENDATION 5B. Apply a strict "no data, no pay" rule to municipal service payments and operator reimbursements. The enforcement system should define clear verification protocols so that nonreporting or unverifiable reporting carries direct financial consequences. In a low-enforcement environment, payment-linked compliance is more credible than reliance on sanctions alone. The result would be a simple audit trail that improves accountability and gives lenders greater confidence in the data used to support contract and investment decisions.

RECOMMENDATION 5C. Publish medium-term regional waste-flow projections to support facility sizing and investment decisions. The projections should use EU-aligned reporting templates and be updated regularly so that municipalities, operators, and investors work from a common baseline. In tourism-intensive municipalities, projections should distinguish baseline and peak-season waste volumes so that service contracts, transfer capacity, and disposal infrastructure can be sized against actual seasonal demand. This would help sponsors size facilities, allow lenders to test volume assumptions, and reduce uncertainty surrounding treatment and recycling investments. Taken together, Recommendations 5a, 5b, and 5c would establish a reliable, verifiable waste data system that reduces uncertainty and due diligence risk, enabling investors to size facilities more accurately, assess revenue potential with greater confidence, and make better-informed business decisions.

CONSTRAINT 6. Predominantly mixed-waste collection and weak separation at source produce contaminated feedstock that is unsuitable for private investment in recycling and organics treatment. Most municipalities continue to rely on mixed-waste collection because disposal is often cheaper and simpler than separate collection, particularly where disposal fees are absent and enforcement is weak. The result is a waste stream too contaminated to support commercially viable recycling, composting, or other higher-value treatment. This is not only an infrastructure problem but also a coordination and an incentive problem. Effective source separation requires the simultaneous engagement of multiple actors: municipalities designing and enforcing separate collection schemes, operators managing differentiated waste streams, households and businesses adopting separation practices, producers fulfilling their EPR obligations, and central institutions providing regulatory direction and oversight. Currently, these actors operate

with limited alignment as EPR frameworks remain nascent, municipal enforcement is inconsistent, and mixed disposal remains the lowest-cost option for all parties. Without both institutional and individual incentives, contamination levels remain high and secondary-material markets remain commercially unviable.

RECOMMENDATION 6A. Introduce a higher disposal fee for mixed waste while applying a zero or negative fee for presorted recyclables delivered to waste management centers, creating a gate-fee inversion. To remain fiscally neutral, the additional revenue from higher mixed-waste charges should finance the discount or rebate for sorted recyclables. In a low-enforcement environment, source separation is unlikely to succeed as a stand-alone legal obligation; it requires a visible price differential that changes behavior. A gate-fee inversion would encourage investment in source separation and improve feedstock quality for sorting and recycling facilities.

RECOMMENDATION 6B. Embed source-separation key performance indicators (KPIs) in municipal collection contracts and pair them with standardized outreach to households and businesses. Collection contracts should include a limited set of measurable indicators for clean capture and penalize contamination rates. The reform should be supported by standardized bin systems, predictable collection schedules, and targeted communication in rollout areas. In tourism destinations, contract KPIs and service design should also address high-volume commercial generators such as hotels, restaurants, and beachfront businesses, with seasonal collection schedules, differentiated service standards, and tailored outreach during peak months. Sequencing is critical: first eliminate zero-cost disposal alternatives, then introduce the price signal, and then enforce contractual KPIs and contamination thresholds. This would create a coherent incentive structure for municipalities, operators, and users and improve the commercial viability of investment in sorting, recycling, and composting.

CONSTRAINT 7. Illegal dumping and disposal outside engineered facilities divert waste from the formal system and reduce the feedstock available for viable treatment investments. In many areas, municipalities and other actors continue to dispose of waste locally at little or no cost rather than transport it to compliant regional facilities. Informal diversion of recyclables and weak control over waste movements further reduce the volume and quality of material reaching the formal system. Because illegal or uncontrolled disposal is often cheaper than compliant delivery and enforcement consequences remain limited, licensed operators face unfair competition and project revenues become less predictable. For private investors, this leakage from the formal system is a direct bankability risk because treatment and recycling projects depend on stable and traceable waste flows.

RECOMMENDATION 7A. Introduce integrated waste traceability systems combining calibrated weighbridges, access controls at landfill and transfer station gates, and geofenced GPS tracking of collection vehicles. The government should build on the weighing infrastructure recommended above by linking it to access control at disposal and transfer sites and to geofenced tracking of collection vehicles. Because illegal dumping persists where formal disposal is more costly and enforcement is weak, the system should rely on simple auditable control points rather than sanctions alone. In practice, this means restricting site access to authorized vehicles, requiring disposal confirmation at designated facilities, and prioritizing inspections on high-volume generators and known leakage points. Digital tracing from collection to disposal, logged in the national waste registry, provides the audit trail necessary to detect and act on diversion. This alignment between infrastructure, enforcement, and role redefinition will close municipal dumping loopholes, stabilize waste flows, and support bankable investment models.

RECOMMENDATION 7B. Formally engage waste pickers through registration and delivery of recyclables to official transfer points. Municipalities should combine targeted enforcement against unauthorized dumping and uncontrolled container-level picking with a structured approach for informal waste pickers to participate in the formal recycling chain. Eligible pickers should be registered and permitted to deliver recyclables to municipal drop-off points, transfer stations, or material recovery facilities, where materials are weighed, recorded, and compensated through simple buy-back arrangements. In a low-enforcement environment, this form of inclusion is often more effective than blanket prohibition because it reduces leakage while preserving livelihoods. Coupling proportionate enforcement with formal participation would improve recycling quality and reporting and create more predictable, traceable feedstock streams for compliant recycling operations.

Among these recommendations, the immediate priorities are those that strengthen basic bankability and credibility. Recommendations 1a, 1b, 2, 3, and 5 are foundational, providing the oversight, contracts, tariffs, and data needed to mobilize private capital. Recommendation 4 should follow to improve private investment planning and reduce development risks. Recommendations 6a, 6b, 7a, and 7b, which would improve feedstock quality and reduce leakage, should come after the sector's core commercial and regulatory framework is established. In practice, tourism-intensive municipalities may offer the strongest early pilots for seasonal contract flexibility, destination-level waste planning, and tourism-linked service benchmarks, as seasonal demand pressures are already pronounced and commercially visible.

Given the scale of the institutional and commercial reforms, implementation may begin with a sequenced pilot phase before nationwide rollout. The government could designate one or two tourism-intensive municipalities or subregions, such as Tirana-Durrës corridor or Vlorë, to apply the reform package on a defined timetable, including

longer-term competitive contracts, cost-reflective tariff methodology, verified waste-flow data, and separation incentives. Success criteria should be published upfront and tied to measurable outcomes, including improved tariff collection, reduced illegal dumping, and gains in clean recovery streams, through verified data under the "no data, no pay" rule. To rebuild public trust following the incinerator investigations, pilot results should be independently verified and publicly reported. Findings should then inform adjustments to tariff methodology, tender documents, performance indicators, and accountability arrangements before nationwide rollout, ensuring scale-up is evidence-based.

4.3 Risks to Be Managed

Several recommendations require upfront infrastructure investment, including weighbridges and access control systems, whose financing arrangements should be clarified before launching private sector tenders. Some enabling infrastructure can be embedded in PPP bids where it directly supports commercial viability. For example, weighbridges that generate throughput data for gate-fee revenues, or access controls that reduce informal diversion and protect operator revenues. In such cases, costs can be recovered through the tariffs or gate fees over the contract term, provided contract terms are sufficiently long and revenue streams sufficiently predictable. This reinforces the importance of Recommendations 1a, 1b, 2, and 3, which aim to strengthen oversight, contract duration, and tariff credibility. However, some infrastructure generates public-good benefits that cannot be fully priced into a commercial bid without making the contract unaffordable. This includes rehabilitation of legacy nonengineered disposal sites and leachate management systems at existing landfills. For this investment, the government should identify and confirm public financing sources before tenders are launched. A costed infrastructure gap analysis should distinguish clearly between components to be financed publicly and those to be absorbed by PPP, building on the framework established by Law 88/2025 on Concessions and PPPs. Without this clarity, fiscal uncertainty will be priced as risk by bidders, raising the cost of private capital and undermining the bankability of the sector reforms.

Gate-fee inversion will not alter behavior if municipalities retain access to zero-cost disposal outside the formal system. The price signal created by a gate-fee inversion will remain ineffective where municipalities can continue to dispose of collected waste at little or no cost in local nonengineered sites. In such circumstances, the formal disposal charge can be bypassed, and the intended incentive to separate and deliver recyclable material to compliant facilities will not arise. The effectiveness of Recommendation 6a therefore depends on parallel action to close or restrict access to noncompliant disposal sites, require delivery to compliant regional facilities, and strengthen traceability of waste movements

through the measures set out in Recommendation 7a. Without these conditions, illegal and informal disposal will continue to distort market incentives, weaken throughput projections for formal operators, and undermine the revenue predictability on which bankable investment models depend.

Cost-reflective tariffs may not translate into effective revenue collection without affordability measures, stronger billing systems, and phased implementation. The adoption of cost-reflective tariffs does not by itself guarantee adequate revenue collection. Households and businesses may resist higher charges, enforcement of payment obligations may remain weak, and municipal billing and collection systems may lack the capacity to achieve the expected recovery rates. If these risks are not addressed, operators may face revenue shortfalls that undermine service quality, contractual performance, and financing arrangements. This risk can be mitigated through phased tariff reform, targeted social support for vulnerable users outside the service contract, and improvements in billing and collection systems. Benchmarking analysis would also help estimate realistic cost-recovery levels, identify likely affordability gaps, and clarify the scale and duration of any transitional support required.

4.4 Impact

By implementing these recommendations, an estimated US$263 million of private investment in municipal solid waste management could be unlocked, supporting approximately a total of 5,300 jobs, which include approximately 1,500 jobs transitioned from informal to formal. The overall impact of sector reforms is measured through increased private participation across the waste value chain, from collection and sorting to composting and energy recovery. As more structured and bankable opportunities emerge, private operators and investors are drawn into segments that were previously dominated by informal or public actors, driving infrastructure upgrades and service improvements. Jobs would be created as reforms unlock new treatment and recovery investments, expand formal waste services, and shift informal waste work into regulated, higher-productivity roles. It would also provide opportunities for SMEs in collection logistics, material aggregation, repair and reuse, and other services. A summarized methodology for the estimates on investment and jobs is presented in appendix A.

Transforming Albania's waste management sector would generate development dividends that extend well beyond direct investment flows and sector-level employment. A shift toward a circular economy model—anchored in waste sorting, recycling, and resource recovery—would stimulate economic activity across manufacturing (e.g., packaging), logistics, and agrifood value chains, creating quality jobs. Where recyclability

is not viable, waste-to-energy technologies offer an additional economic lever, converting residual waste into electricity that can diversify Albania's energy sources. Cleaner urban environments, including in coastal cities such as Durrës, Vlorë, and Sarandë, would reinforce Albania's competitiveness as a tourism destination, by reducing the reputational and aesthetic damage caused by open dumping and litter along beaches and roadsides, thereby supporting higher tourist arrivals, longer stays, and greater visitor spending. Improved municipal waste services would also translate into measurable public health gains, reducing disease burden and productivity losses. Collectively, these second-order effects—economic diversification through circularity, enhanced destination attractiveness, service quality improvements, and a healthier population—position waste sector reform not merely as an opportunity for investment but also a structural enabler of Albania's broader development trajectory.

Table 4.1

Policy Recommendations to Remove Impediments to Private Investment in Waste Management

Constraints	Recommendations	Responsible public sector entities
1. The National Agency for Waste Economy's (*Agjencia Kombëtare e Ekonomisë së Mbetjeve; AKEM*) broad and combined responsibilities for planning, oversight, infrastructure development, and waste-service operations may create uncertainty about where and how private investment can participate.	**1a.** To facilitate waste-service delivery through public, private, and mixed-provider arrangements, require AKEM to publish a rolling multiyear pipeline of public-private partnership and other procurement opportunities for infrastructure and waste services. ***Priority:*** Foundational **1b.** Require AKEM to publicly report a set of auditable performance indicators. ***Priority:*** Foundational	Ministry of Environment (MoE)—*lead*; National Agency for Waste Economy (AKEM)
2. Short contract tenors prevent private operators from recovering investment costs and weaken incentives to improve service quality.	**2.** Mandate open competitive tendering for waste collection services, with contract durations calibrated to ensure cost recovery and investment viability. ***Priority:*** Foundational	MoE—*lead*; all municipalities
3. Non-cost-reflective tariffs for waste services weaken commercial viability and reduce operators' ability to invest in durable service improvements.	**3.** Adopt a uniform, cost-reflective tariff methodology and phase in its application across municipalities. ***Priority:*** Foundational	MoE—*lead*; all municipalities
4. Unpredictable permitting and unresolved site-readiness issues increase development risk and delay project preparation.	**4.** Designate prepermitted facility zones in each of Albania's 10 waste regions, with land ownership, zoning, environmental screening, and technical requirements resolved before procurement. ***Priority:*** Follow-on	MoE—*lead*; AKEM; all municipalities
5. Weak and inconsistently verified data on waste volumes and composition undermine planning, contracting, and investment decisions.	**5a.** Require all landfills and transfer stations to install calibrated weighing systems and digital tracking tools and make weighing mandatory for all incoming loads. ***Priority:*** Foundational	MoE—*lead*; AKEM; National Environment Agency; all municipalities

(Table continues next page)

Table 4.1

Policy Recommendations to Remove Impediments to Private Investment in Waste Management *(continued)*

Constraints	Recommendations	Responsible public sector entities
	5b. Apply a strict "no data, no pay" rule to municipal service payments and operator reimbursements. ***Priority:*** Foundational **5c.** Publish medium-term regional waste-flow projections to support facility sizing and investment decisions. ***Priority:*** Foundational	
6. Predominantly mixed-waste collection and weak separation at source produce contaminated feedstock that is unsuitable for private investment in recycling and organics treatment.	**6a.** Introduce a higher disposal fee for mixed waste while applying a zero or negative fee for presorted recyclables delivered to material recovery facilities (a gate-fee inversion). ***Priority:*** Follow-on **6b.** Embed source-separation key performance indicators in municipal collection contracts and pair them with standardized outreach to households and businesses. ***Priority:*** Follow-on	MoE—*lead*; all municipalities
7. Illegal dumping by informal actors and disposal outside engineered facilities divert waste from the formal system and reduce the feedstock needed for viable treatment investments.	**7a.** Introduce integrated waste traceability systems combining calibrated weighbridges, access controls at landfill and transfer station gates, and geofenced GPS tracking of collection vehicles. ***Priority:*** Follow-on **7b.** Formally engage waste pickers through registration and delivery of recyclables to official transfer points. ***Priority:*** Follow-on	MoE—*lead*; AKEM; all municipalities

5 Digital Payments



AT A GLANCE

- Albania's shift toward a primarily cashless economy is creating new investment opportunities. The government aims for digital payments to account for 60 percent of transactions by 2028, supported by widespread internet access and expanding digital infrastructure.
- Cash dependence, informality, and market frictions constrain adoption. High entry costs for small merchants, limited standardization for data access interfaces across financial services, and gaps in remote identity verification restrict market growth and raise customer acquisition costs.
- Targeted reforms could lower costs and accelerate adoption. Priorities include end-to-end digitalization of government payments, simplifying merchant onboarding, expanding interoperable low-cost options, strengthening open banking performance targets, improving identity verification through consent based access to government databases, and enabling risk-based use of electronic signatures.
- Reforms could mobilize US$90 million–US$190 million in investment over the medium term and create 2,400–5,000 jobs. Wider use of digital payments could also enhance financial inclusion, formalization, and firm productivity.

5.1 Sector Context and Private Investment Potential

Albania's ambitious National Program Cashless Albania has the potential to unlock substantial opportunities for private investment in the digital payments sector. The government has set a target for digital payments to make up at least 60 percent of all transactions by 2028, up from just 16 percent in 2024 (Ministry of Economy and Innovation 2025). This rapid projected growth signals robust market potential for private investment, ranging from banking and fintech to payment technology providers and merchant services. Currently, account ownership remains low, with only 46 percent of adults reporting they have an account—well below regional averages (table 5.1)—which constrains access to formal financial services. The Cashless Albania program not only sets the stage for transformative change but also positions the private sector as a pivotal partner in expanding access, driving innovation, and accelerating the country's transition to a modern, inclusive financial ecosystem.

Rising tourism strengthens the investment case for digital payments. Tourists often prefer cashless payments for their ease, speed, and safety, prompting the need for hotels, restaurants, and other service providers to modernize their systems to accommodate noncash payments, both in-person and online.[34] The current low merchant acceptance in Albania (e.g., for online bookings and payments) is both a competitiveness gap and a market opportunity. Expanding digital payments would improve visitor experience, increase spending, support the transition toward a more service-oriented growth model, and is aligned with EU accession priorities.

While Albania has taken steps toward digitalization—a precondition for a reliable digital payment system—gaps remain in platform quality and overall readiness, and government initiatives have yet to deliver consistent improvements. By 2025, 97.7 percent of households had internet access, 87.2 percent of adults used the internet, and 4G coverage reached 99.6 percent, placing Albania among the best performers in the Western Balkans (table 5.1). Smartphone penetration stands at 93 percent, providing a solid base for mobile-enabled financial services. The e-Albania platform now delivers over 1,200 public services online (about 95 percent of all services) and counts 3.3 million registered users, with tens of millions of transactions processed monthly.

While digital payment usage has expanded, it trails peers, and cash usage remains dominant. Between 2021 and 2025, bank accounts grew at a CAGR of 8.1 percent, along with electronic money (e-money) accounts which expanded rapidly from a low base (figure 5.1). Online credit transfers increased strongly—both in number and value—while growth in paper-based transactions stagnated. Card payments also grew, with the value of card transactions rising by 18 percent and the number by 26 percent compounding growth over the same period (figure 5.2). However, cash remains dominant: Albania has

Table 5.1

High Digital Readiness but Comparably Low Financial-Account Ownership and Digital Payments in Albania

	Albania	Western Balkans (excluding Albania)[a]	ECA (excluding HICs)[b]
Digital readiness			
Households with internet access (% of population)	97.1	87.1	87.1
4G (LTE/WiMAX) coverage (% of population)	99.6	98.7	97.5
Internet use (% of population)	82.8	85.4	88.4
Smartphone penetration (% of population)	93.2	91.8	93.6
Account ownership and digital payments			
Account ownership (% of population ages 15 and above)	46.1[c]	76.9	77.8
Debit card ownership (% of population ages 15 and above)	32.8	65.9	69.2
Credit card ownership (% of population ages 15 and above)	7.4	17.7	29.3
Adults making digital payments to merchants (% of population ages 15 and above)	11.1	36.9	51.4
Average share of sales paid electronically by customers (% of firms)	43.0	73.8	76.9[d]

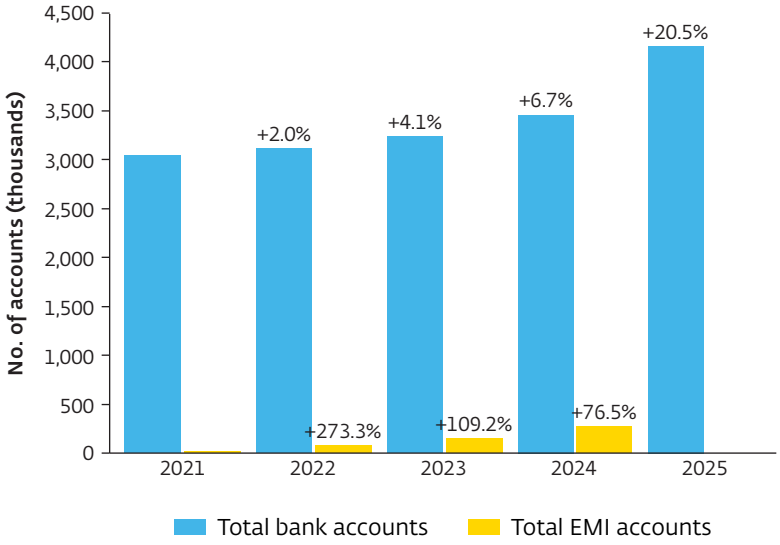
Sources: Calculations based on data from the World Bank Global Findex Database, International Telecommunication Union (ITU), and World Bank Enterprise Surveys.
Note: ECA = Europe and Central Asia; HICs = high-income countries. Data on household internet access and 4G (LTE/WiMAX) coverage are from ITU; data on internet usage, smartphone penetration, account ownership, debit card ownership, credit card ownership, and adults making digital payments to merchants are from the Global Findex Database; and data on the average proportion of sales paid electronically by customers are from World Bank Enterprise Surveys.

a. Figures are simple averages of the shares reported for Western Balkan economies excluding Albania. Kosovo is excluded when data for a given indicator are unavailable.
b. ECA excluding HICs comprises Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Serbia, Tajikistan, Türkiye, Ukraine, and Uzbekistan. Turkmenistan is excluded to ensure comparability of indicators because it is not included in the Global Findex Database. For ITU DataHub indicators, figures are simple averages of the shares reported for the 16 non-high-income ECA economies. For Global Findex indicators, the reported figure is the regional average published by Global Findex for "Europe and Central Asia (excluding high income)." Kosovo is excluded when data for a given indicator are unavailable.
c. Global Findex data are used to ensure international comparability. The BoA reports higher account ownership, at 85 percent of adults, including 78 percent with bank accounts (BoA 2024), based on administrative records. Global Findex, by contrast, relies on household surveys of self-reported account ownership. The difference reflects variations in data sources, age coverage, and the inclusion of dormant or infrequently used accounts.
d. The World Bank Enterprise Surveys regional indicator for ECA includes high-income European economies.

Figure 5.1

Registered Accounts Are Growing Rapidly

Total bank and electronic money institution accounts

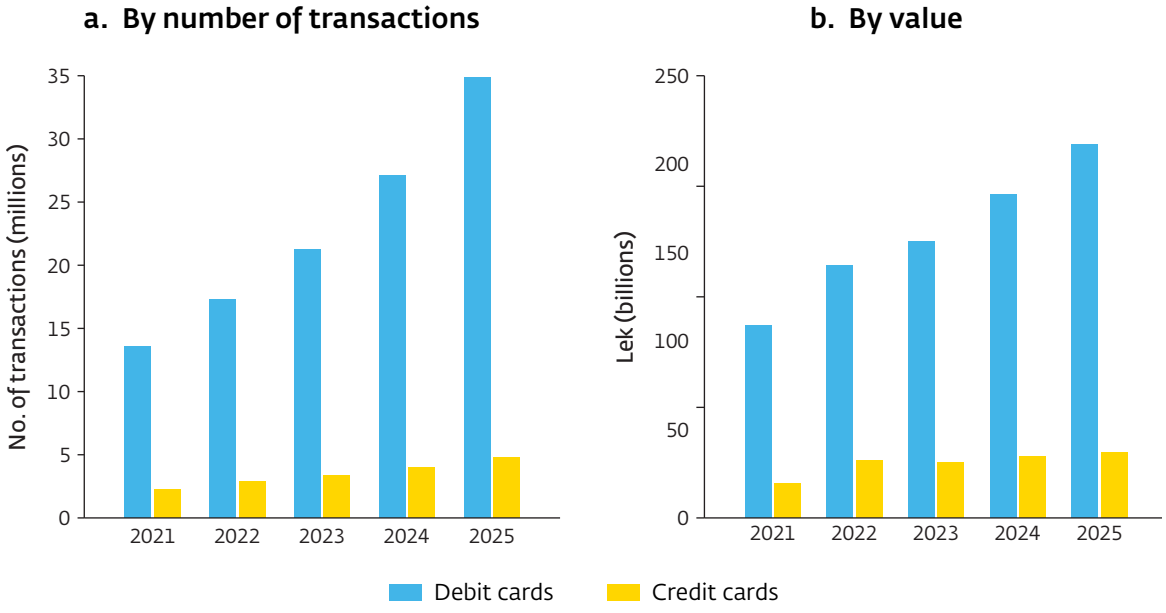


Source: BoA (2025).
Note: Because 2025 e-money transactions data were unavailable at the time of drafting, year-on-year growth rates are calculated only for 2021 and 2024.

Figure 5.2

Card Payments are Expanding Rapidly, Led by Debit Cards

Debit and credit card payments

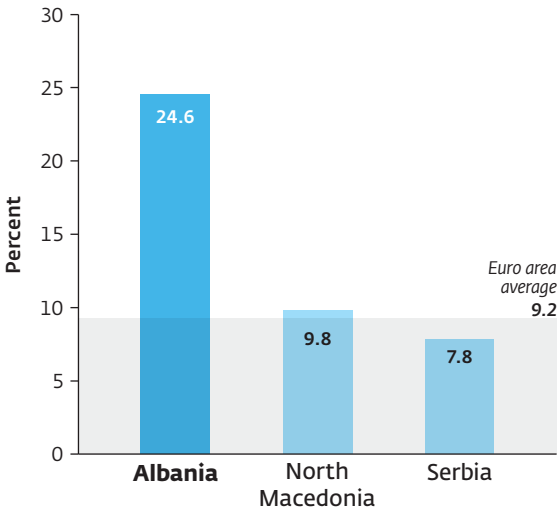


Source: BoA (2025).

Figure 5.3

High Currency Use Underscores Albania's Continued Reliance on Cash

Currency in circulation as a share of broad money, 2025



Source: BoA; NBS; CBBH; NBRM; ECB.
Note: Broad money refers to the M3 aggregate. Among other Western Balkan economies, directly comparable data are available only for North Macedonia and Serbia. In Bosnia and Herzegovina, M2 is the broadest available metric to assess broad money, while Kosovo and Montenegro use the euro as legal tender.

one of the highest shares of currency in circulation relative to broad money (24.6 percent) in the region (figure 5.3), reflecting entrenched cash preferences and informality. While the share of individuals purchasing online rose significantly (from 21.4 percent in 2021 to 45.4 percent in 2025) and card point-of-sale (POS) payments have outpaced that of ATM withdrawals, the number and value of ATM withdrawals remain high in comparison (figure 5.4).

Despite the availability of online services, neither government platforms nor e-commerce platforms enable electronic payments in a standardized and interoperable way. In the e-Albania platform, only about 75 percent of services permit online payments, mostly via cards, with limited use of credit transfers and other solutions. This limits spillovers to private payment adoption. On the e-commerce side, most online purchases are paid in cash upon delivery,[35] indicating the lack of payment integration or trust in the system. Only 11 percent of adults make digital payments to merchants, compared to 36.9 percent in other Western Balkan economies, and just 43 percent of firms' sales are paid electronically, far below regional benchmarks.

The payment market is bank led, with commercial banks dominating account provision, card issuance, merchant acquiring, and access to core infrastructure operated by the Bank of Albania. The Bank of Albania (BoA) ensures the safety and efficiency of the national payment system and provides settlement and clearing services and operates large value and retail payment systems. Banks provide current accounts linked to IBANs (international bank account numbers), payment cards, online and mobile banking, and directly access domestic payment infrastructures. Most electronic credit transfers, salary payments, and card-based payments are processed through bank accounts. Banks also act as the main issuers of debit and credit cards and operate profitable ATM networks throughout the country, primarily in urban and tourism areas.[36] A strong cash culture keeps ATM networks profitable, which in turn entrenches cash availability, forming a self-reinforcing

loop that crowds out digital payment adoption. Banks remain the largest acquirers for POS terminals, although merchant acceptance is still developing.

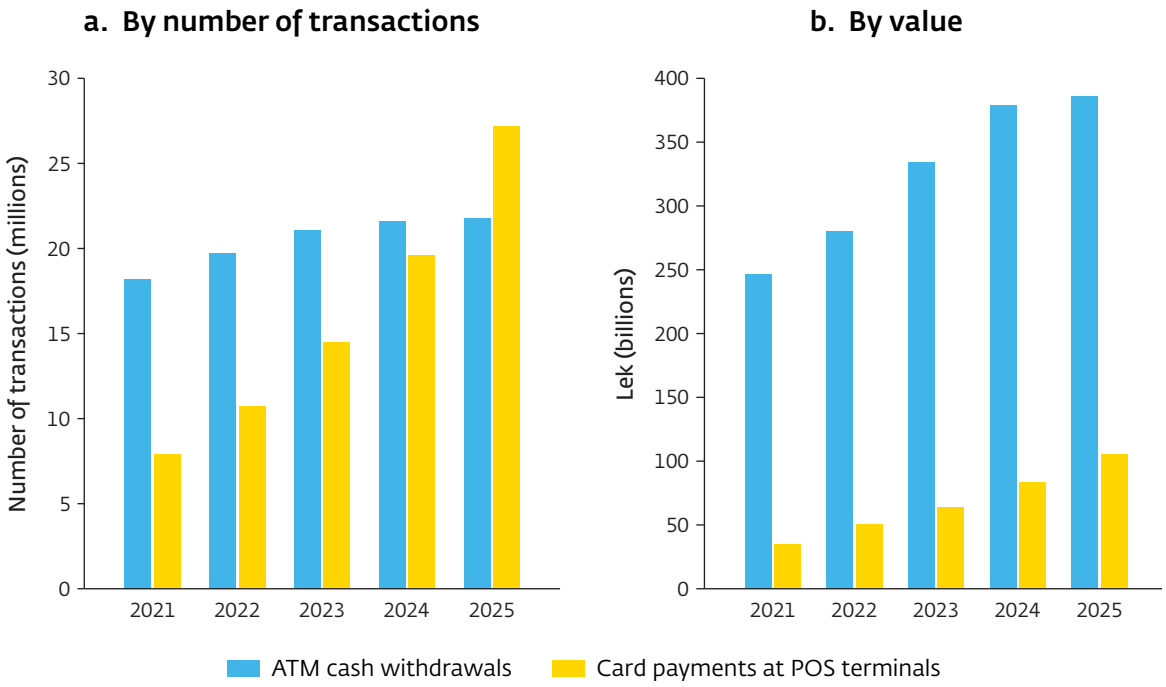
Alongside banks, a growing number of nonbank payment service providers (PSPs)—including 11 e-money institutions and four payment institutions—operate under licenses issued by BoA, but they are facing challenges in scaling and diversifying into digital services. They provide services such as domestic and international money transfers, bill payments, merchant payment acceptance (often through agent networks), and digital wallets. Nonbank PSPs play an important role in expanding access to payment services, particularly through cash-in and cash-out locations and payment kiosks used for utility payments and remittances. Many nonbank PSPs are facing challenges in scaling and diversifying into digital services due to costly and complex e-KYC requirements to digitally onboard customers, including the use of international trust services for digital identity verification and high requirements for electronic signature even for simple financial products or services.

Merchants also face challenges in adopting digital payments. For small merchants especially, the burden of upfront and recurring costs often outweighs the perceived

Figure 5.4

Cash Remains the Dominant Payment Method

ATM cash withdrawals and card payments at POS terminals



Source: Bank of Albania.
Note: ATM = automated teller machine; POS = point of sale.

benefits of digital adoption, given their limited transaction volumes. Expenses such as hardware purchase or software setup—which can range from €80 to €400 depending on the technology—or monthly terminal rental or service fees (starting at €5–15 per month) and merchant discount rates or transaction fees (1.5–3.5 percent per transaction) create a daunting financial barrier.[37] Beyond financial hurdles, merchants are further discouraged by indirect barriers such as lengthy onboarding processes, heavy and inconsistent documentation requirements, and difficulties integrating with various service providers' systems. These challenges not only demand additional time but also incur hidden, hard-to-quantify costs. As a result, small merchants are forced to absorb these expenses or attempt to pass them on to consumers—an option that is rarely feasible.

Albania has accelerated reforms to align with the EU retail payments acquis and support Single Euro Payment Area (SEPA) integration. Following Albania's inclusion in the SEPA geographical scope in 2024, SEPA credit transfers became operational in October 2025, sharply reducing cross border transfer costs for businesses and improving efficiency. Early results show average total fees dropping from 0.8 percent to 0.05 percent for transfers of €5,000, and from 0.35 percent to 0.01 percent for transfers of €20,000 (Dashi 2025). Reforms to complete alignment with the EU acquis are set to continue, including amendments to the Payment Services Law related to EU's Second Payment Services Directive and Electronic Money Directive and transposing the Instant Payments Regulation and Interchange Fee Regulation.

The regulatory framework for open banking is in place, but impact is limited by the lack of standardized access interfaces across financial institutions. Open banking enables the secure, consent-based sharing of customer data and payment instructions with authorized third parties, primarily through application programming interfaces (APIs), to support services such as customer authentication and payment initiation. Standardized APIs are critical to ensure consistent technical interfaces across banks, lower integration costs, and enable competition at scale. However, unstandardized access interfaces among financial institutions hinder new investment in this area. Although Albania's regulations reflect the EU regulatory technical standards governing security and access rights, they do not require adoption of a single, unified API standard. The EU deliberately refrained from mandating a specific API standard or technical protocol to promote technological neutrality and an outcome-based regulatory framework. Nevertheless, dominant standards have gradually emerged within the EU market.

The planned rollout of a central bank-operated instant payment system is widely expected to boost digital payments. Modeled after the EU TARGET Instant Payment Settlement system ("TIPS clone"), the infrastructure is expected to become operational by the end of 2026 and enable 24/7, real-time transfers. It would also support overlay services

Box 5.1

National Program Cashless Albania

"Cashless Albania" is a government-led strategy to accelerate the shift from cash to digital payments as a central pillar of efforts for reducing informality and advance economic digitalization. The program responds to Albania's low use of digital payments, high transaction costs, and limited financial literacy by combining legal reforms, technical infrastructure, and coordinated stakeholder engagement in a single, practical reform agenda. The government aims for digital payments to account for at least 60 percent of all payments by 2028. A Digital Payments Council—bringing together key ministries, regulators, and industry stakeholders—has been established to govern implementation across three areas:

- ***Incentives.*** Measures to encourage behavioral change, such as gradual reduction of the cash payment ceiling to discourage large cash transactions, mandatory POS terminal deployment for merchants and for all public institutions and public companies, and stricter enforcement of daily cash-register requirements at points of sale to strengthen traceability and compliance.
- ***Infrastructure.*** Measures to reduce costs and improve efficiency, such as limiting interchange fees, linking electronic payments with the "fiscalization" system, and introducing a universal QR code for payments, and implementing a national instant payment system to enable low-cost, real-time transfers.
- ***Education.*** A dedicated financial education and awareness campaign, "Albania Pays Digital," to inform individuals and businesses about the benefits, safety, and practical use of digital payments.

such as QR-code payments, request-to-pay services, proxy payments, and verification of payee, helping to increase interoperability, efficiency, and regional integration.

To encourage the shift from cash to digital payments, Albania has introduced additional measures targeting individuals and businesses. The maximum for cash transactions among businesses has been lowered to lek 100,000 per transaction, while those with individuals are now capped at lek 500,000 (about €5,000) per transaction.[38] By June 2026, all businesses above a certain revenue threshold—including those in the tourism sector, which faces a May 2026 deadline—will be required to accept alternative (noncash) payment methods. This transition will necessitate an estimated 100,000 new POS terminals by the end of 2026. BoA is also set to cap card interchange fees at 0.3 percent for credit cards and 0.2 percent for debit cards, aligning with the EU's Interchange Fee Regulation.[39] The Cashless Albania program (box 5.1) consolidates these actions into a coordinated agenda spanning infrastructure, incentives, and financial education, with clear governance and targets.

These initiatives, including public investment in instant payment infrastructure, will only translate into impact if matched by a strong private sector response—through investment, product innovation, and merchant adoption. Even with a strong enabling

environment, usage will remain limited if merchants, especially small and informal ones, continue to resist acceptance due to high perceived costs (e.g., equipment, compliance), weak benefits given low transaction volumes, or entrenched cash preferences linked to informality. At the same time, if integration remains complex or costly—due to fragmentation, limited interoperability, or burdensome onboarding requirements—providers will face weak incentives to invest, constraining innovation and network effects. Unlocking usage therefore requires a competitive, innovation-driven ecosystem, where both banks and nonbank providers—including fintechs and e-money institutions—drive growth by expanding reach to underserved segments, introducing user-friendly solutions, and intensifying price and product competition. The private sector is not just a participant but the primary driver of scale: its investment, innovation, and market expansion can convert infrastructure into real economy outcomes.[40]

High cash usage presents both a challenge and an opportunity for private investors. Deep-rooted habits, like cash preferences linked to the informal economy, can be difficult to change. Consumers and businesses may be hesitant to move away from the familiarity and perceived anonymity of cash transactions. At the same time, the widespread use of cash suggests a substantial untapped market for private investment in digital payment solutions in the following interconnected areas:

- ***Merchant acquisition.*** By enabling merchants to accept electronic payments, acquirers earn revenue from transaction fees, service charges, and value-added services like analytics, fraud prevention, and loyalty programs.
- ***Customer acquisition.*** Financial institutions and payment providers attract and retain customers with diverse payment solutions, enhancing convenience, speed, and security. Revenue is driven by transaction fees, subscriptions, and cross-selling, with incentives such as loyalty programs boosting usage.
- ***Payment systems, technology, and integration:***
  - *Processing systems, hardware, and software.* Rising demand for secure and efficient payment platforms creates potential for investment in robust systems, settlement services, and compliance tools, especially with SEPA and instant payment adoption.
  - *E-commerce integration.* Direct payment integration in e-commerce platforms simplifies checkout, supports multicurrency transactions, and facilitates cross-border commerce.
  - *Value-added services.* PSPs frequently help merchants with customer marketing, market intelligence, vendor management, and securing short-term credit. Partners often deliver these services by using enterprise resource planning systems like SAP, which bring together various types of data to give a complete picture of a company's finances, inventory, and employee productivity. Financial institutions also analyze this information to assess the creditworthiness of merchants.

— ***Compliance technology.*** Automation of AML, KYC, and fraud screening through APIs and cloud platforms streamlines compliance, reduce costs, and improve accuracy for financial institutions.

5.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. Informality and persistent reliance on cash limit market scale. Albania remains a predominantly cash-based economy, with limited routine use of digital payments. The narrow base of active transaction account ownership and usage limits the market from which digital payments can scale, as many individuals either remain outside the formal financial system or do not use accounts regularly for everyday transactions. For payment service and technology providers, this translates into weak network effects and high costs relative to potential revenues. It limits the commercial viability of investments in POS networks, processing platforms, and merchant solutions. Many merchants, particularly small and informal ones, remain outside the digital payments ecosystem due to limited scale and perceived costs of acceptance. Even where noncash payments are offered, merchant fees, integration requirements, or operational frictions may reduce the perceived value of acceptance. This weakens the consumer experience and reinforces cash preference, particularly where consumers rely on consistent acceptance across everyday use cases. A significant share of government-to-person (G2P) payments are disbursed in cash through post offices, reinforcing cash usage, weakening incentives for account ownership, limiting the frequency of account usage, and reducing opportunities for digital payments for everyday transactions. At the same time, the e-Albania platform has not yet fully integrated digital payment functionalities for the collection of government fees, limiting the delivery of end-to-end digital public services. Without consistent digital payment flows linked to government transactions, the volume and predictability of digital payments remain insufficient to support widespread merchant adoption, further weakening the business case for investment in merchant acceptance. The maximum amount of cash transactions for individuals at lek 500,000 that was set recently is too high to make meaningful impact on digital payments in everyday transactions.

RECOMMENDATION 1A. Implement end-to-end digital execution of government payments by disbursing all G2P payments into transaction accounts. All G2P payments—including social transfers, public wages, and subsidies—should be initiated, validated, processed, settled, and reconciled electronically, and disbursed into accounts offered by banks or nonbank PSPs. This requires eliminating Excel-based payment instructions and replacing them with standardized, machine-readable batch formats that enable automatic processing. Current digitalization efforts remain incomplete because payment instructions still require manual handling, validation, or reentry by officials,

even when performed on computers. As such, the process falls short of straight-through processing, limiting efficiency gains and creating risks of errors, delays, and bottlenecks. Achieving true straight-through processing would generate larger, more predictable digital transaction flows, strengthening the business case for banks and nonbank PSPs to invest in payment infrastructure and last-mile digital solutions.

RECOMMENDATION 1B. Establish core architecture for government collections that enables payments using any digital payment instrument, rather than only cards and POS terminals. For person-to-government and B2G payments, the government should enable interoperable payment acceptance across all digital collection channels—including cards, mobile and internet banking, account-to-account transfers, wallet-based disbursement, QR codes—integrated into government service platforms, including e-Albania, processed and reconciled digitally from initiation to confirmation, with availability of payment options through banks and nonbank PSPs.[41] Cash payments may remain available as a fallback option, but digital channels should be operational across all major payment streams and serve as the primary mode of interaction for people and businesses. By expanding government collections beyond POS and card payments to multiple interoperable digital instruments, this approach would create broader and more reliable transaction volumes, encouraging providers to invest in diverse digital payment modalities.

RECOMMENDATION 1C. Require a phased transition to digital-only B2G payments, progressively limiting cash use as businesses transition to digital channels. All major B2G payment streams including taxes, fines, and fees for government services to businesses should be processed and reconciled through interoperable digital payment channels across all collection points. Central and local government entities should ensure that digital payment acceptance is operational across all relevant channels, including government service platforms (such as e-Albania), banking channels, and licensed PSPs. The government should introduce progressive restrictions on cash use for B2G payments, such as limits on eligible payment types or thresholds, while allowing time for businesses, particularly small businesses, to adjust. By requiring transactions to pass through formal, traceable digital channels, these measures increase transaction transparency, strengthen reporting, and reduce opportunities for underreporting or off-the-books activity. At the same time, they help address administrative constraints: compliance is driven automatically through the payment channel, reducing the need for costly ex post enforcement by tax or regulatory authorities. This transition would also improve collection efficiency, reduce cash handling costs and leakages, and increase transaction volumes through regulated payment channels, strengthening the case for private investment in merchant acquiring and payment infrastructure.

RECOMMENDATION 1D. Lower the cash transaction ceiling for business-to-customer (B2C) and customer-to-business (C2B) transactions to the same level as for business-to-business (B2B), with scope for further calibration. Aligning the threshold for cash transactions between businesses and individuals with the existing business-to-business (B2B) ceiling—currently set at lek 100,000—would simplify the regulatory framework, reduce opportunities for arbitrage across transaction types, and strengthen the consistency of enforcement. This threshold would also be broadly in line with European practice, where several countries have adopted cash payment limits of around €1,000 for transactions involving businesses or professionals, while the EU-wide ceiling is €10,000.[42] Although the primary rationale for such limits is to support antimoney laundering, tax compliance, and transaction traceability, a lower and more consistently applied ceiling could also help shift higher-value retail and service payments toward digital channels. This, in turn, could reduce informality and improve incentives for private investment in merchant acceptance, acquiring services, and digital payment infrastructure. To maintain proportionality and avoid undue disruption, the authorities should establish a regular review mechanism to assess and adjust the cash transaction ceiling over time, taking into account market readiness, risk considerations, and progress in digital payment adoption. The framework could also allow for differentiated ceilings by transaction type or purchase category.

CONSTRAINT 2. High costs and entry barriers limit adoption of digital payments among small merchants. The combination of upfront and recurring costs is often disproportionate to merchants' transaction volumes. For low-margin, cash-based businesses—particularly informal and small retail merchants—the implied total cost of acceptance often exceeds the perceived benefits, resulting in low uptake and limited network effects. The persistence of these entry barriers keeps a large portion of small merchants outside the digital payment ecosystem, reinforcing cash usage and weakening the commercial case for private investment in scalable merchant acceptance solutions.

RECOMMENDATION 2. Issue supervisory requirements to allow simplified onboarding, improve pricing transparency, and require interoperable low-cost acceptance solutions. The BoA should (1) permit remote, risk-based merchant onboarding, including e-KYC and electronic verification against authoritative data sources, with simplified documentation requirements for low-risk merchants and removal of unnecessary in-person steps;[43] (2) require disclosure of merchant pricing, including merchant discount rates, terminal-related charges, and other acceptance fees, and monitor compliance across providers; (3) clarify the use of agents, outsourcing, and other third-party distribution arrangements under the existing legal framework to enable scalable merchant acquisition; and (4) require interoperable low-cost acceptance solutions, including QR-code-based payments and SoftPOS,[44] to ensure that merchants can accept digital payments across providers and channels. These measures would reduce onboarding

and acceptance costs, expand access for small merchants, and strengthen the commercial case for private investment in merchant acquiring and payment acceptance.

CONSTRAINT 3. Fragmented open banking interfaces raise entry costs and deter private investment. Although Albania has adopted an open banking framework,[45] the absence of standardized interfaces for data access and payment initiation constrains private investment in digital payments, as third-party providers must build and maintain bespoke integrations with multiple banks, raising costs and discouraging investment in innovative services. The BoA has predominantly allowed market forces to determine API standards, with only limited oversight of API performance. There is currently limited publicly available data on API performance (e.g., response times, uptime, error rates), making it difficult to assess operational reliability and posing uncertainty for third-party providers. While the BoA's approach not to require certain API standards is fully consistent with that of the EU, offering flexibility to both banks and nonbank PSPs, and mitigating the risk of technological lock-in, this approach also introduces risks for investment, due to potential market fragmentation and increased integration costs for third-party providers.

RECOMMENDATION 3. Issue open banking implementation guidelines with clearly defined API performance benchmarks. To accelerate the development of a secure, interoperable, and scalable open banking ecosystem in Albania, the BoA and the industry should adopt an approach to promote convergence of open banking APIs without being overly prescriptive, remaining consistent with the EU practice. The guidelines should make reference to a widely adopted European API standard, such as the Berlin Group standard, while allowing alternative API implementations when equivalence is demonstrated based on clearly defined criteria including functional coverage, data consistency, and performance benchmarks.[46] High benchmarks for API performance will encourage developers to adopt consistent design patterns and best practices, which naturally drives standardization across the API ecosystem. Standardized API-based real-time monitoring of the performance would help BoA observe, at low cost, compliance with respect to potential discrimination against third-party providers. Overall, this would level the playing field among banks, nonbank PSPs including fintech firms, enable interoperability, lower integration costs and operational risk, and support scalable, innovation-driven payment services.

CONSTRAINT 4. Limited access to digital identity verification for e-KYC procedures raises costs and slows customer onboarding. E-KYC solutions streamline customer onboarding through remote identity verification and contract execution, reducing manual processes. Although Albania has legal provisions for electronic identification, its use in financial sector onboarding is limited, as the current regulatory framework for customer due diligence permits electronic identification only when it relies on trust services defined under existing legislation,[47] a narrower formulation than international good practice.[48]

Without a widely available domestic digital identity solution for financial institutions, providers use a few costly international vendors, which limits access for smaller institutions.[49] Affordable options like government database identity checks are not yet functional, even as public services are increasingly digital, restricting the financial sector's ability to use digital infrastructure for onboarding.

RECOMMENDATION 4. Allow regulated financial institutions to access and query selected civil registry data, enabling consent-based digital identity verification for e-KYC purposes. To reduce onboarding costs and support the scalable adoption of digital payments, Albania should enhance the practical usability of its digital identification infrastructure for financial sector onboarding, allowing regulated financial institutions to access and query selected data fields from the civil registry and other authoritative government databases for KYC purposes, based on consumer consent. This capability should be explicitly recognized as a valid method for customer due diligence under the AML/CFT framework, expanding the range of permissible e-KYC solutions. This recognition would allow the development of a national remote identity verification capability, with technical interfaces and services that enable real-time or near real-time digital verification (e.g., API-based queries, secure authentication mechanisms) without in-person interaction. Establishing such a national solution would reduce reliance on costly third-party providers, lower onboarding costs, and facilitate market entry and expansion, particularly for smaller providers.

CONSTRAINT 5. Limited use of electronic signatures in financial products and services raises onboarding friction. Although electronic signatures legally permit remote contracts, their strict practical requirements raise compliance costs and limit flexibility in digital financial products.[50] Using qualified electronic signatures for all agreements is often excessive for low-risk situations where simpler authentication would suffice. Overall, these strict practical requirements restrict digital onboarding, increasing acquisition costs, and hindering market growth and account usage.

RECOMMENDATION 5. Introduce a tiered, risk-based framework for electronic signatures across financial products and services, clarifying when simple, advanced, and qualified electronic signatures may be used. The authorities should define the conditions for the use of each type of electronic signature based on the risk profile of the transactions. To support effective implementation and risk mitigation, the framework should define minimum requirements for customer-facing processes, including adequate disclosures and consumer protection measures; establish standards for the issuance, storage, and evidentiary handling of electronic documents; and set minimum technical and security requirements for the use of e-signatures. In parallel, targeted capacity building efforts for the judiciary should be considered to promote consistent interpretation and enforcement in cases involving the legal validity of e-signatures. Aligning legal

requirements with actual risk would reduce compliance costs, enable fully remote onboarding for low-risk services, and improve legal certainty for providers and investors.

The recommendations are designed to complement or clarify the reforms already initiated. Recommendations 1a and 1b bring further the digitalization of government payments to the last mile: minimizing cash element in the flow and gradually moving to digital-only payments. Further, while Albania has introduced elements of open banking, digital identity, and electronic signatures, Recommendations 3, 4, and 5 address implementation gaps that limit uptake and innovation, through practical and implementation-focused solutions. These measures complement the planned rollout of instant payment infrastructure by ensuring that providers can seamlessly and quickly connect, onboard customers, and offer scalable services. By reducing both operational friction and regulatory uncertainty, they not only accelerate adoption but also address institutional capacity constraints, allowing ex ante standard-setting and system design, rather than continuous ex post supervision, to drive compliance and widespread implementation.

Among the recommendations, the most immediate priorities are the reforms that expand transaction volume, reduce onboarding friction, and create stronger incentives for formal electronic payment use. Recommendations 1a and 1b on end-to-end and interoperable digital government payments, Recommendation 1d on cash transaction ceilings, Recommendation 2 on merchant acceptance, Recommendation 3 on open banking, and Recommendation 4 on digital identity verification are foundational because they most directly affect scale, acquisition costs, and the commercial case for private providers. Recommendation 5 on a risk-based framework for electronic signatures is an important follow-on reform that can deepen innovation as the market reaches greater scale. Recommendation 1c on a phased transition to digital-only B2G payments may ultimately have strong effects on formalization and demand, but it is best treated as a sequencing-dependent reform that should follow improvements in digital payment acceptance, onboarding, and interoperability.

5.3 Risks to Be Managed

Consumer protection, data privacy, and fraud risks: As Albania advances digital onboarding and electronic payments, strengthening consumer protection and data privacy frameworks becomes increasingly vital. According to the law, customers must be provided with clear and transparent information on how their personal and financial data are collected, used, and shared, alongside effective safeguards to protect their rights.[51] Minimum standards for digital consumer journeys, including disclosures, consent management, and accessible recourse mechanisms, should be established to ensure digitalization

does not weaken consumer protection. Yet, the expansion of digital channels increases exposure to fraud and scams, such as phishing, social engineering, and unauthorized transactions. Therefore, financial institutions will need to implement appropriate safeguards, including strong customer authentication, transaction monitoring, and customer awareness measures, to mitigate these risks. Targeted financial literacy and awareness initiatives will also be important to help users understand digital financial services, associated risks, and available safeguards.

Cybersecurity and operational resilience: The expansion of digital financial services and remote onboarding increases exposure to cyber threats, including unauthorized access, data breaches, and service disruptions. Financial institutions will need to implement robust security measures, including strong authentication protocols, continuous monitoring, and regular system audits. Given the growing reliance on third-party technology providers, effective management of outsourcing and third-party risks is critical. Close coordination with national authorities, including the National Authority for Cyber Security, will be important to establish comprehensive standards for data protection, electronic signatures, and system resilience. Aligning supervisory and regulatory approaches with the EU Digital Operational Resilience Act would further strengthen the resilience of the financial sector.

Antimoney laundering and combating the financing of terrorism (AML/CFT): The expansion of digital onboarding must be accompanied by robust safeguards to preserve the integrity of the financial system. Authorities and financial institutions will need to ensure that digital onboarding processes incorporate risk-based customer due diligence, supported by reliable identity verification mechanisms and ongoing transaction monitoring. Supervisory frameworks should enable the use of digital tools while maintaining compliance with international AML/CFT standards, including those set by the Financial Action Task Force. Strengthening coordination among relevant authorities, including the financial intelligence unit and sectoral supervisors, will be critical to ensure effective detection and reporting of suspicious activities. A balanced, risk-based approach will be essential to mitigate financial integrity risks without unduly constraining access to digital financial services.

5.4 Impact

By implementing these recommendations, between US$90 million and US$190 million of estimated investments in digital payments could be unlocked, generating between 2,400 and 5,000 direct and indirect jobs. The overall impact of sector reforms is expected to be driven by increased adoption and usage of digital payments,

creating revenue opportunities for banks and nonbank PSPs, fintech firms, payment technology vendors, merchant acquirers, cybersecurity and compliance services, and other participants in the digital payments ecosystem. Higher transaction volumes can support additional private investment and job creation, including skilled employment in payment infrastructure, information and communication technology, and digital financial services. A summarized methodology for the estimates on investment and jobs is presented in appendix A.

The estimated employment impact should be interpreted with caveats, as digital payment reforms may also generate distributional effects across occupations and sectors. The projected 2,400–5,000 jobs reflect direct and indirect employment associated with new private investment in digital payment services. These estimates should not be read as a full, net economy-wide employment effect. As payment flows shift from cash-based to digital channels, labor demand may gradually decline in cash-intensive functions—such as counter-based payment distribution, cash handling and reconciliation, and cash-focused branch or postoffice services—while increasing for higher-productivity roles in areas such as digital customer support, fraud monitoring, and payment product development.[52] The employment estimates should therefore be interpreted as the job-creation potential associated with the estimated private investment generated by the reforms, rather than as a net economy-wide employment effect. The broader labor market impact will depend on the pace of adoption, the extent to which workers and firms can transition toward emerging digital payment functions, and the availability of relevant reskilling and redeployment pathways.

As more individuals and businesses adopt digital payment methods, transaction volumes are expected to increase, creating opportunities for greater participation in the formal financial system and broader access to financial services. As digital payments scale, transaction data can support broader financial inclusion and improve access to finance for individuals and SMEs over time by enabling better credit assessment and the development of digital financial services. Financial institutions can leverage transaction data to, among others, improve credit and risk assessments of individuals and SMEs, underwrite loans or insurance, offer merchant cash advances, and develop supply-chain finance products for SMEs. Ultimately, the reforms would contribute to lower transaction costs, improved efficiency, greater transparency, and a more dynamic and accessible financial sector, supporting innovation and fostering economic growth.

Table 5.2

Policy Recommendations to Remove Impediments to Private Investment in Digital Payments

Constraints	Recommendations	Responsible public sector entities
1. Informality and persistent reliance on cash limit market scale.	**1a.** Implement end-to-end digital government payments by disbursing all government-to-person payments into transaction accounts. ***Priority:*** Foundational	Ministry of Finance (MoF)—*lead*; National Agency for Information Society (AKSHI); Bank of Albania (BoA)
	1b. Establish core architecture for government collections that enables payments using any digital payment instrument, rather than only cards and point-of-sale terminals. ***Priority:*** Foundational	MoF—*lead*; AKSHI; BoA
	1c. Require a phased transition to digital-only business-to-government payments, progressively limiting cash use as businesses transition to digital channels. ***Priority:*** Follow-on	MoF—*lead*; General Directorate of Taxes; General Directorate of Customs; local governments; AKSHI; BoA
	1d. Lower the cash transaction ceiling for business-to-customer and customer-to-business transactions to the same level as for business-to-business transactions, with scope for further calibration. ***Priority:*** Foundational	MoF—*lead*; General Directorate of Taxes
2. High costs and entry barriers limit adoption of digital payments among small merchants.	**2.** Issue supervisory requirements to allow simplified onboarding, improve pricing transparency, and require interoperable low-cost acceptance solutions. ***Priority:*** Foundational	BoA
3. Fragmented open banking interfaces raise entry costs and deter private investment.	**3.** Issue open banking implementation guidelines with clearly defined application programming interface performance benchmarks. ***Priority:*** Foundational	BoA

(Table continues next page)

Table 5.2

Policy Recommendations to Remove Impediments to Private Investment in Digital Payments *(continued)*

Constraints	Recommendations	Responsible public sector entities
4. Limited access to digital identity verification for electronic know-your-customer procedures raises costs and slows customer onboarding.	**4.** Allow regulated financial institutions to access and query selected civil registry data, enabling consent-based digital identity verification for electronic know-your-customer purposes. ***Priority:*** Foundational	Ministry of Internal Affairs—*lead*; AKSHI; BoA; Financial Intelligence Unit
5. Limited use of electronic signatures in financial products and services raises onboarding friction.	**5.** Introduce a tiered, risk-based framework for electronic signatures across financial products and services, clarifying when simple, advanced, and qualified electronic signatures may be used. ***Priority:*** Follow-on	BoA—*lead*; Financial Supervisory Authority; National Authority for Cyber Security; AKSHI

Appendix

Appendix A

Estimates of Potential Increase in Private Investment and Employment

A.1. Agritourism

The total private investment enabled over the next five years under the reform scenario is estimated to be between US$318 million and US$476 million in real terms, supporting between 5,200 and 7,700 jobs, including between 1,900 and 3,100 informal jobs converted into formal ones.

A.1.1 *Methodology Overview*

The methodology uses both supply-side and demand-side approaches to estimate the potential private investment and job creation in agritourism and upstream agribusiness resulting from the proposed reforms. *First*, private investment is estimated using a *supply-side approach* that considers (a) the potential share of agritourism in projected private tourism investment from credible sources, referred to as "investment envelope," in the next five years through 2031, from the current low share; and (b) potential additional investment, or "investment upticks," facilitated by reforms aligned with multilateral and trade agreements. *Second*, these estimates are validated using a *demand-side* approach based on (a) setup costs for different agritourism operator archetypes and (b) the costs of formalizing existing operators. Because the demand-side estimates fall within the range of supply-side estimates, the supply-side estimates are used as the headline figures. *Third*,

upstream *agribusiness investment* is estimated by applying an investment-to-revenue factor to the share of agritourism revenue captured by the agribusiness through food and beverage component. This amount is added to total private investment mobilized. *Finally*, employment impacts are estimated using job-to-investment factors for both direct and indirect jobs. US dollar amounts are expressed in 2026 real terms.

A.1.2 *Scenarios*

Two reform scenarios are considered against a no-reform baseline:

- *Moderate scenario:* Recommendations 1–5 are fully implemented, while implementation of Recommendation 6 has begun but is not yet fully operational. This scenario addresses the primary constraints on certified agritourism investment, including regulatory clarity, market visibility, and workforce readiness.
- *Ambitious scenario:* All six recommendations are fully implemented. Full implementation of Recommendation 6 broadens the potential investor base, including agribusiness firms investing in backward-linkage supply chains.

A.1.3 *Assumptions*

Investment envelope:

- *Total tourism investment:* Annual tourism investment is estimated at US$736 million–US$981 million in 2026 real terms, representing the no-reform baseline trajectory (Altax Institute 2026). The estimates are rebased to 2026 real terms using the IMF WEO GDP deflator for Albania: factor 1.0477. Because the Altax projections cover only 2025–30, the 2031 investment envelope is extrapolated using the 9.35 percent CAGR in tourist arrivals, yielding an estimated US$720 million–US$960 million. Instat historical arrivals data provide the baseline but not the forecast
- *Private capital formation share:* Private investment is assumed to account for 76.9 percent of total capital formation, based on the private and public capital formation split in the World Bank Long-Term Growth Model and IMF capital formation data. The economy-wide share is used because tourism-specific public and private investment split is not available for Albania.
- *Agritourism capture:* Agritourism is assumed to capture 5.4 percent of tourism investment under the moderate scenario and 7.6 percent under the ambitious scenario. The assumptions are calibrated against Italy, where agritourism accounts for about 4.3–4.4 percent of registered accommodation nights, which serves as the lower anchor (Istat 2019–20; European Commission). Projected growth in Greece's Mediterranean agritourism market at 12 percent CAGR[53] provides directional support

for above-anchor capture rates in a rapidly developing market. Relative to the lower anchor, the moderate and ambitious scenarios incorporate analytical uplifts of approximately 1.1 and 3.3 percentage points, respectively, reflecting Albania's higher untapped potential and the expected demand shifts of reform.

Investment uptick. Two sources of additional mobilization are considered:

- *Central European Free Trade Agreement:* Reforms that conform with CEFTA requirements are assumed to mobilize 10–15 percent investment above the investment envelope, based on UN Tourism evidence on visa facilitation showing 5–25 percent investment uplift (UN Tourism 2023).
- *European Union:* Reforms that conform with EU requirements, including certification, data backbone, and legal reforms, are expected to catalyze additional private capital. The estimate is linked to the EBRD and EU €100 million tourism commitment, of which only the €50 million EBRD loan component constitutes private investment mobilization.[54] Approximately 25–40 percent of this amount is assumed to be captured by agritourism, based on the list of eligible sectors.

Demand-side validation

- *Microscale operations with 3–5 rooms:* US$19,000–36,000 in net private investment. Additional investment may be eligible for public cofinancing, including through the EU Instrument for Pre-Accession Assistance in Rural Development (IPARD III).
- *Midscale operations with 6–12 rooms, a restaurant, and a working farm:* US$115,000–US$199,000 in net private investment.
- *Large and established benchmark operations:* US$1.20 million in net private investment. Estimates draw on operator cost consultations through the Albanian Agritourism Association, the IPARD III Programme for Albania 2021–27, and the Mrizi i Zanave operation in Lezhë. Net figures reflect IPARD III cofinancing of up to 75 percent of eligible costs. Because no Albania-specific published cost survey is available, these figures are indicative and are based on operator consultations and IPARD III program documentation.

Formalization: Between 500 operators under the moderate scenario and 800 under the ambitious scenario are assumed to formalize over the medium term, with average net upgrade costs of approximately US$37,000 and US$45,000, respectively. The estimates draw on ILO evidence on formalization in the EU (ILO 2025) and operator consultations through the Albanian Agritourism Association. Upgrade costs are net of IPARD III cofinancing of up to 75 percent of eligible costs. The assumed number of operators is broadly consistent with the National Tourism Strategy target of 700–1,200 registered agritourism establishments: the moderate scenario assumes that approximately 40–45 percent of

the target pool formalizes, while the ambitious scenario assumes approximately 60–70 percent.

Upstream agribusiness investment: Agritourism revenue is estimated using an assumed payback period of two to three years on agritourism investment. Food and beverages are assumed to account for 35–40 percent of agritourism revenue, of which 40–60 percent is captured by local agribusiness. An investment-to-revenue factor of 0.15–0.20 is applied, based on consultation with local food processing operators. These assumptions are based on consultations with local food-processing operators and are directionally validated against EBRD Western Balkans Six agribusiness investment-intensity benchmarks, although agritourism-specific benchmarks are not available.

Job impacts: Job-to-investment factors are 12 and 10 direct jobs per US$1 million investment for agritourism and upstream agribusiness, respectively. A job multiplier of 0.5 is added to include indirect jobs (WEF 2024). A 35 percent incremental factor is applied to a portion of investment that represents a capture of agritourism from overall investment envelope, reflecting net new jobs from business-as-usual investment that would have occurred absent the reforms in agritourism. To avoid double counting between the agritourism supply-chain indirect component and the agribusiness direct jobs stream, the supply-chain component of the agritourism indirect-job multiplier has been reduced to 0.20; therefore, 2.4 indirect jobs per US$1 million for agritourism and 5 indirect jobs per US$1 million for agribusiness.[55]

A.2. Waste Management

The total private investment is estimated to be US$263 million, supporting an estimated 5,300 total jobs, including new jobs and approximately 1,500 newly formalized jobs.

A.2.1 *Methodology Overview*

The impact assessment adopts a bottom-up approach to arrive at the potential private investment and job creation in Albania's waste sector resulting from proposed reforms. Given the scope of the recommendations, the methodology focuses exclusively on municipal solid waste, covering household and similar commercial waste, and excludes industrial, construction, and demolition waste. The approach takes the following steps: (1) determine the effective service population, which includes tourists, during a high season; (2) estimate waste generation volumes; (3) determine waste composition and treatment requirements; (4) translate waste flows into infrastructure capacities and capital investment, with private participation share; and (5) estimate direct and indirect employment impact, including formalization of existing informal roles.

A.2.2 *Scenario*

The analysis is based on a single reform scenario that assumes full implementation of Albania's reform agenda over the five-year period through 2031. Under this scenario, Albania transitions from a fragmented and largely informal waste system to one with formalized collection, segregation, and treatment infrastructure that meets EU-aligned standards. The year 2024 is used as the baseline because it is the latest year for which waste data are available. Investment and employment impacts are estimated against a counterfactual in which the current system is unchanged.

A.2.3 *Assumptions*

- *Baseline effective service population:* The 2024 effective service population is estimated at 2.47 million, comprising a resident population of 2.39 million (Instat) and a tourism-equivalent population of 87,000. The tourism component is derived from (1) 11.7 million foreign arrivals (Instat); (2) 5.18 million overnight stays in registered accommodation by 2.19 million foreign tourists during a four-month high season (Instat); (3) an assumption that an additional 12 percent of the remaining tourists stayed in unregistered accommodation during the same period, accounting for a total of 2.70 million overnight stays; and (4) assumptions that waste generated per overnight tourist and per day tourist is equivalent to 100 percent and 30 percent, respectively, of waste generated per resident per day, based on available waste-generation estimates (Diaz-Farina, Díaz-Hernández, and Padrón-Fumero 2020). The tourism-equivalent population and associated waste generation are modeled estimates.
- *Projected effective service population:* The 2031 effective service population is estimated at 2.48 million, comprising a projected resident population of 2.27 million (World Bank) and a tourism-equivalent population of 214,000, based on a forecast of 21.6 million foreign arrivals. The shares of tourists staying in registered and unregistered accommodation, average length of stay, and relative waste generation of overnight and day tourists are assumed to remain at baseline levels.
- *Waste generation:* Starting from the 862,000 tonnes of waste recorded by Instat in 2024, a 20 percent adjustment is applied to account for waste not captured in official data, including waste that is illegally dumped. The adjustment is cross-referenced against United Nations Environment Programme estimates of uncontrolled waste stream in Eastern Europe (UNEP ISWA 2024). Based on the estimated effective service population, adjusted baseline waste generation is 417.5 kilograms per capita per year. Per capita waste generation is assumed to grow by 1.75 percent annually, in line with 50 percent estimated waste-to-GDP elasticity and an average annual real GDP growth of 3.5 percent.

— *Waste composition:* Organic waste accounts for 57.4 percent of total waste; plastics, 9.7 percent; paper and cardboard, 9.4 percent; glass, 5.0 percent; textiles, 4.4 percent, and other materials, including inert waste and wood, 14.1 percent (Instat).

— *Recovery and treatment*: Recovery efficiency assumptions reflect local operating conditions. Only 40 percent of organic waste is assumed to be recoverable for composting due to contamination and moisture loss, while a 50 percent rejection rate is applied to recyclables processed through material recovery facilities to estimate marketable output. Incineration capacity is treated as fully incremental because the existing facilities in Tirana, Elbasan, and Fier are not operational with functional treatment technology.

— *Capital investment:* Investment costs are derived from EU and regional benchmarks and discounted to reflect Albania's lower labor and construction costs (table A.1).

— *Private participation shares:* Private sector participation rates vary by segment to reflect risk profile and market attractiveness and are assumed at 60 percent for collection, composting and sorting, 50 percent for incineration, and 30 percent for landfill.

— *Employment multipliers:* Job creation is estimated using process-specific multipliers expressed as jobs per US$1 million investment, drawing on World Bank estimates and sector benchmarks (Kaza et al. 2018; Cook et al. 2026). An incremental share is applied to each stream to distinguish genuinely new roles from the formalization of existing informal employment (table A.2).

A.3. Digital Payments

The cumulated impact on private investment is expected to be between US$90 million (conservative scenario) and US$190 million (optimistic scenario), creating between 2,400 and 5,000 jobs.

A.3.1 *Methodology Overview*

The estimates on private investment are derived using a top-down approach, measuring effects associated with higher digital payments adoption under reform scenario relative to no-reform baseline. The estimation process starts from the baseline, defines scenario-specific adoption targets over a five-year horizon (2031), converts those targets into users, number of transactions, and total payment values, and then translates the resulting increase in payment activity into ecosystem revenues, in real US dollar terms, across different segments of the payment sector. The revenues are then used to estimate investment needs and job effects, using investment-to-revenue (or investment intensity) and job-to-revenue factors, respectively.

Table A.1

Capital Investment Assumptions, by Treatment Stream

Treatment stream	Unit capital expenditure (US$ per ton)	Technology basis	Sources
Collection	24.52	Container-based systems	Ministry of Infrastructure and Energy (2018); Zero Waste Europe (2023)
Composting	122.62	Open windrow or forced aeration	Ministry of Infrastructure and Energy (2018); Zero Waste Europe (2023)
Sorting and material recovery	183.93	Semimanual facilities	Ministry of Infrastructure and Energy (2018); Hogg and Suri (2023)
Incineration	613.11	Waste-to-energy incinerator	Hogg and Suri (2023); EPCIntel (2024)
Landfill	24.52	Construction only	Ministry of Infrastructure and Energy (2018); EEA (2023)

Table A.2

Employment Multipliers and Incremental Shares, by Treatment Stream

Process	Direct jobs per US$1 million investment	Indirect jobs per US$1 million investment	Incremental share (%)
Collection	30	10	30
Composting	34	13	80
Sorting and material recovery	42	17	70
Incineration	3	1	100
Final disposal	7	3	40

A.3.2 *Scenarios*

— *Baseline scenario*. No reforms are initiated. Albania maintains 2024–25 levels of digital payment usage per adult and average transaction value. Only population change is assumed to arrive at no-reform baseline in 2031.

— *Conservative growth scenario*. The share of adults making digital payments converges toward the average for other Western Balkan countries. The number of transactions per capita is higher, while the average transaction value is lower than under the baseline scenario.

— *Optimistic growth scenario*. The share of adults making digital payment is assumed to reach the average for Europe and Central Asia, excluding high-income countries.

A.3.3 *Assumptions*

— *Baseline scenario*. The share of adults making digital payments is low at 10.34 percent, based on 2024 data (Findex 2025). The average transaction value of US$47.41 is based on 28.44 million digital payment transactions with a total value of US$1,313 million in 2025 (BoA). The population is projected to reach 2.27 million in 2031.

— *Conservative growth scenario*. The share of adult users grows to the Western Balkan rate of 36.9 percent (Findex 2025) and 185.33 million transactions, derived from usage intensity per digital payment user in the benchmark countries (National Bank of Serbia; Central Bank of Montenegro). The average transaction value is US$43.3, based on a model that captures the relationship between transaction intensity and real average transaction value over time in comparable economies, including Bulgaria, Hungary, Latvia, Poland, and Romania. These countries are in the region, have GDP per capita ranging between 0.5 and 2.0 times that of Albania, with available time series (ECB Payment Statistics).

— *Optimistic growth scenario*. The share of adults making digital payments rises to 51.4 percent, benchmarked against Romania and Bulgaria (Findex 2025), generating 371.72 million transactions. The average transaction value is estimated at US$41.86 using the same model in the conservative growth scenario.

— *Effective take rates*. The share of transaction value retained by the industry as net revenues is 0.97 percent, based on the average EU payment-processing fees (E-Commerce Europe; Clearly Payments).

— *Revenue allocation*. Revenues are allocated among three segments of the payment business: merchant acquisition, 45 percent; customer acquisition, 30 percent; and integration and technology, 25 percent. The allocation reflects the expected relative investment requirement of each segment. Merchant acquisition accounts for the largest share because scaling initially requires expansion of acceptance infrastructure

and merchant onboarding. Customer acquisition follows, reflecting onboarding, interface, and incentive costs as usage increases. Integration and technology are assumed to require a smaller, though still significant, share of resources. Revenues are accumulated over the five-year horizon.

— *Investment intensity*. Investment-to-revenue factors of 0.2 for merchant acquisition, 0.4 for customer acquisition, and 0.9 for integration and technology are applied based on data from benchmark EU companies, including Nexi and Worldline. These assumptions are cross-referenced against New York University Stern capital-to-sales reference data for emerging market and developing economies.

— *Jobs*. Job-to-revenue factors of 28.3 direct jobs and 7.9 indirect jobs per US$1 million of incremental revenue are applied based on financial-sector job multipliers for Albania (IFC).

Notes

1. According to Council of Ministers Decision No. 22 (2018), agritourism is a hospitality activity carried out on a farm or other agricultural unit with the aim of attracting visitors, including by enabling them to participate in agricultural or related activities undertaken in that setting. For the purposes of this report, agritourism refers to tourism activities anchored in a working farm or agrifood enterprise, including farm stays and rural guesthouses, farm-to-table dining, tastings such as wine and olive oil, farm tours, paid on-farm experiences, and direct sales.
2. An implementing act, which is currently under approval, revises the certification criteria and broadens the definition of agritourism.
3. World Bank's Long-term Growth Model calibrated to Albania data, assuming a baseline of reforms to improve total factor productivity, investment.
4. Instat Structural Business Statistics 2024.
5. More discussion in the Agritourism chapter of this report.
6. Informality is measured differently across sources. Updated World Bank estimates suggest that informal output in Albania declined modestly in recent years, reaching 28.4 percent of GDP under the DGE method and 31.6 percent under the MIMIC method in 2023. Separately, the European Commission estimates that Albania's value added tax (VAT) compliance gap was equivalent to 24.6 percent of VAT total tax liability in 2023. The VAT compliance gap measures forgone VAT revenue and should not be interpreted as an estimate of the size of the informal economy (Elgin et al. 2021, updated 2026; European Commission 2025).
7. In 2024, Albania recorded the highest net migration rate in Europe, compared with near-zero or positive net migration rates in most Eastern European and Western Balkan countries (e.g., Serbia, about 0; North Macedonia, 0.3; Bosnia and Herzegovina −0.1) (Eurostat 2024).
8. Reforms have been implemented in recent years, including consolidation of land institutions under the State Cadaster Agency and adoption of the Cadaster Law (Law No. 111/2018) and the Law on Finalizing Transitional Ownership Processes (Law No. 20/2020). In June 2025, the Agency adopted a roadmap targeting full digitization by end-2026 and first-time registration of remaining immovable property by end-2028 (European Commission 2024/2025). However, empirical evidence shows that such fragmentation materially affects investment relevant outcomes: cross country and Europe adjacent studies find that high land fragmentation significantly constrains mechanization, reduces farm profitability, and weakens access to credit, as small and dispersed parcels increase operating costs and limit the collateral value of land (Ciaian et al. 2018; Aslam and Fazal 2025). Albania's National Land Consolidation Strategy, supported by the FAO, has only achieved limited, project-based progress. Although Law No. 111/2018 permits registration of enforceable long-term lease contracts, most agricultural leases remain informal and uptake is low. Agritourism cooperation models exist mainly for marketing and services but have not significantly addressed land fragmentation (FAO 2016; Government of Albania 2018; FAO and RASP 2020; Zhllima 2018; Lushaja, Strati, and Muharremaj 2019; European Commission 2024a). While DMOs can help fragmented land function economically as a single destination, they cannot address underlying tenure, aggregation, or financing constraints, reinforcing the need for parallel action on land consolidation, long-term use rights, and bank lending practices (World Bank Group 2023).
9. World Bank Development Indicators; Government of Albania (2023); Instat.
10. During dry periods, reduced domestic generation forces reliance on electricity imports, which are costly, volatile, and increase fiscal and competitiveness

risks, as highlighted in the Albania Country Climate Development Report.

11. Agricultural primacy refers to the requirement that agritourism businesses must be centered around an active, working farm with genuine agricultural production. This ensures that the agritourism label is reserved for operations where farming is the main activity, as opposed to guesthouses or accommodations that simply use a rural setting or serve imported goods without substantial farm activity.
12. BoA, "Time Series - Balance of Payments," https://www.bankofalbania.org/Statistics/External_sector_statistics/Balance_of_Payments/Time_Series-Balance_of_Payments.html.
13. UN Tourism "World Tourism Barometer," January 1, 2026; Instat, "Tourism Statistics."
14. In the EU, hotels and registered facilities account for about 63 percent of overnight stays, while holiday homes and short-term rentals add 24 percent. Countries such as Greece, Croatia, Portugal, and Spain enforce compulsory registration and platform-level regulatory compliance; for example, Croatia requires guest registration via its national e-visitor system (Eurostat 2025).
15. https://agroalbania.al/.
16. Albania, Ministry of Tourism and Environment, "Order of the Procedures, Criteria, and Monitoring for Issuing Agritourism Certificates." Strategic alignment is reinforced in sector policy: the National Strategy for Agriculture, Rural Development and Fisheries 2021–2027 prioritizes integrating rural tourism into local economic development, and the "100 Villages" program channels public investment toward culturally and naturally rich rural destinations to stimulate private investment and strengthen agritourism-related infrastructure and services (Government of Albania 2021; n.d.).
17. Albania, Ministry of Tourism and Environment, "Order of the Procedures, Criteria, and Monitoring for Issuing Agritourism Certificates."
18. As the amendments have not yet been adopted, their effect on agricultural primacy, certification credibility, and post-certification enforcement cannot yet be assessed.
19. TravelMole reports 12–20 percent uncontrolled price hikes in southern Albania during summer, with infrastructure and waste issues threatening its reputation as a value destination (TravelMole 2025). AlbaniaVisit highlights severe congestion and waste accumulation in Sarandë and Ksamil, where infrastructure cannot support current visitor numbers (AlbaniaVoice 2025). Environmental agencies report seasonal sewage overflow and poor coastal water quality, with many bathing areas needing intervention due to peak season wastewater and solid waste pressures (EEA 2025). Business groups warn that water shortages and mismanaged waste undermine service quality and investment, urging better coordination between local and national authorities (TTW 2025; Albanian Times 2025).
20. Since 2024, certification requires meeting specific thresholds—at least one hectare of cultivated land, defined livestock minimums, 6 to 30 rooms, with at least 30 percent of food sourced from the farm and 30–70 percent from local producers. In exchange, certified entities receive significant fiscal incentives: a reduced corporate income tax rate of 5 percent (down from 15 percent) for ten years, a 6 percent VAT rate, and grant support covering up to 50 percent of investment costs. These preferential tax arrangements may be reviewed as part of Albania's alignment with the European Union acquis under Chapter 16—Taxation.
21. Regulation (EU) 2024/1028 establishes a framework for short-term rental data collection and sharing through standardized registration systems and obligations on platforms to verify and transmit data to public authorities. Several EU countries, including Croatia, have implemented registration-based STR systems combined with platform oversight and differentiation of accommodation types, supporting higher compliance, improved data availability, and more effective enforcement.
22. As of the 2024 Skills Needs Assessment (SNA) for Albania's Tourism Sector, waiters, the occupation in shortest supply in Albania, accounted for 54 percent of all emigration-related departures (Rama and Polo 2024). At the same time returned emigrants constitute only 2 percent of the current workforce and are predominantly absorbed into low-skill roles.
23. These reforms could attract hospitality and agro-processing investors, each creating jobs in different

sectors. Tourism investors typically support upgrades to lodging and professionalize services, resulting in roles across construction, hospitality management, staff, maintenance, transport, and marketing. Agro-processing investors focus on small-scale processing for visitor-oriented retail, improving relationships and standards, and generating jobs in operations, food safety, packaging, logistics, procurement, and sales. As these projects grow, both types can boost indirect employment through supplier networks and shift more work to formal, year-round positions.

24. The analysis in this chapter is focused on municipal or urban solid waste—and does not include industrial, construction and other specialized waste streams (e.g. EPR), nor health and hazardous waste—due to priorities in relation to EU accession with binding obligations for accession candidate countries, reform momentum, and associated private investment opportunities.
25. Available evidence suggests that the amount of waste generated in Durrës, measured in kilograms per inhabitant per year, increased nearly threefold between 2017 and 2024, rising from 495 to 1,832 (Instat; AKEM). However, these figures should be interpreted with caution, as there may be inconsistencies in the data.
26. These estimates should be interpreted cautiously due to the absence of a systematic, standardized methodology for waste-composition analyses.
27. The waste import ban was adopted in 2013 with law No. 156/2013, reflecting legitimate concerns about the country's limited treatment capacity and the risk of becoming a disposal destination for foreign waste.
28. Instat, "Environment Statistics: Urban Solid Waste."
29. Standard practice in waste collection and treatment PPPs across the Western Balkans and EU accession countries, where capital-intensive contracts covering fleet, depot, container, and digital infrastructure typically require a minimum 10-to-15-year horizon to achieve debt serviceability and attract institutional financing. Regional precedents include a 15-year private waste collection concession in Skopje, North Macedonia, supported by IPA funding, and the Belgrade (Vinča) waste-to-energy PPP, signed for a 25-year term.
30. Law No. 57/2025 on IWM establishes the polluter-pays principle as a binding legal basis for tariff reform, providing the legislative mandate for a nationally uniform methodology that has previously been absent. Government should use this foundation to replace the current cleaning tax—structurally disconnected from service cost and inconsistently applied across municipalities—with a methodology requiring tariff-setting based on actual operating costs, capital recovery, and environmental compliance expenditure, applied uniformly across all municipalities.
31. International experience shows that transitional revenue support mechanisms are commonly used when moving from underpriced services to cost-reflective tariffs. They are typically modest in scope, conditional, and limited in time, and are recognized as critical for enabling PPP bankability and sector financial sustainability.
32. Similar mechanisms are used in tourist-intensive municipalities in countries such as France and Italy, where differentiated or seasonal waste tariffs help recover the higher service costs associated with peak tourism periods without permanently increasing tariffs for resident households.
33. Typical gaps include (a) missing months or quarters in municipal submissions and landfill and transfer-station logs; (b) partial coverage, with only some service areas, routes, or contracted operators reporting, leaving periurban and rural areas and informal collection uncounted; (c) missing breakdowns by waste stream, including mixed and separately collected fractions, and by destination, including landfill, transfer, and recycling facilities; (d) lack of facility-level inflows and outflows reporting, including absence of reconciled data on residues from sorting and treatment; and (e) limited or no reporting of waste composition, because characterization studies are sporadic, not standardized, and not updated.
34. For example, Visa's Global Travel Intentions study found that in 2023, 97 percent of Asia Pacific travelers opted to use cashless options when traveling. Among travelers, only 17 percent brought cash to their destinations in 2023, dropped from 79 percent in 2020, while average spending increased to US$2,525 from US$1,708 during the same period

(Visa Singapore, "Contactless Payments, Experiential Travel Top Asia Pacific Travel Needs," https://www.visa.com.sg/about-visa/stories/2023/contactless-payments-experiential-travel-top-asia-pacific-travel-needs.html).

35. According to Global Findex 2025, which was based on a 2024 survey, nine percent of adults reported to have made at least one online purchase in the previous 12 months, but only 3 percent paid online.
36. The number of ATMs continues to grow from 822 in 2021 to 1,091 in 2025, while the number of bank branches has not increased (BoA).
37. Calculations based on PayAtlas data.
38. Law No. 79/2025 amending Law No. 9920 on Tax Procedures in the Republic of Albania.
39. Consumer credit cards and debit cards commonly carry interchange fees around 0.3–1.4 percent and 0.3–1.3 percent, respectively, depending on transaction type, merchant category, and technology used. In some cases, fees may be higher for specific use cases or premium cards.
40. The World Bank Group's Common Regional Market Payments Program supported the BoA's SEPA readiness and payments framework alignment with the EU acquis, alongside advancing fast payments and national QR code standards. The Bank Group is also currently supporting the BoA's planned instant payment system rollout through advisory services. The recommendations in this chapter build directly on this engagement, focusing on the remaining gaps that constrain private investment specifically.
41. The World Bank is currently undertaking an assessment on digitalization of government payments and collection in Albania, to inform a design of integrated and interoperable solutions for such digitalization.
42. Across Europe, cash-payment limits generally become binding when at least one party is acting as a business or professional. From July 2027, an EU-wide ceiling of €10,000 will apply to cash payments involving business transactions, with member states free to maintain or introduce stricter national limits (Regulation 2024/1624 on Anti-Money Laundering). Lower thresholds vary widely—from €500 in Greece and €1,000 in France and Spain, to €3,000 in Belgium and Portugal, €5,000 in Italy, and more in other countries. The limit also depends on the type of transactions (e.g. in Greece, the limit does not apply to car purchases; in France, notarized real estate purchases can use cash up to €3,000) or tax residency (e.g., higher limits for nontax residents in France and Spain). Lower transaction amounts, which may be accepted in cash, can trigger due diligence requirements, such as ID verification (ECC 2026).
43. See examples of simplified due diligence for merchants in "Innovations in Electronic Payment Acceptance" (World Bank Group 2022).
44. SoftPOS is a software-based solution enabling mobile phones or tablets to be used for secure contactless payment terminals.
45. Regulation No. 29/2022 on Strong Customer Authentication and Common, Open, and Secure Standards of Communication.
46. See, for example, UK Open Banking, "Key Indicators for Availability and Performance," https://standards.openbanking.org.uk/operational-guidelines/availability-and-performance/key-indicators-for-availability-and-performance/latest/.
47. Law No. 9917/2005 on the Prevention of Money Laundering and Financing of Terrorism.
48. Law No. 9917/2005 on the Prevention of Money Laundering and Financing of Terrorism, Article 5(2/1) permits electronic identification only when it relies on "trusted services for electronic identification schemes" as defined in existing legislation and bylaws. This wording is narrower than the EU AML/CFT Directive, which also allows "other secure, remote or electronic identification processes regulated, recognized, approved or accepted by the relevant national authorities."
49. Under Law No. 107/2015 on Electronic Identification and Trust Services, trust services may be provided by domestic or EU-based providers. The market for trust providers is still emerging.
50. Law No. 9880/2008 on Electronic Signature, which enables legally valid, end-to-end remote contract execution, allowing customers to complete onboarding fully online, recognizes several types of electronic signatures, including simple, advanced, and qualified electronic signatures. However, Article 5 requires that when a legal act takes the form of a contract, each party must sign the document with a qualified electronic signature; thus, simple and

advanced electronic signatures are excluded despite their technological viability and practical use in financial products and services.

51. Law No. 124/2024 on Personal Data Protection.
52. This pattern is consistent with broader evidence that digitalization and automation tend to reallocate labor demand across tasks and occupations, reducing routine transaction-based roles while increasing demand for digital, technical, and customer-facing skills (Arntz, Gregory, and Zierahn 2016; Bureau of Labor Statistics 2025; World Bank 2016).
53. https://tornosnews.gr/.
54. EBRD; https://www.balkanweb.com/#gsc.tab=0; European Commission, IPA III program documentation.
55. WEF (2024); Instat Labour Force Survey 2024–25; ILO 113th ILC 2025 background report on informality and transition to formality; operator consultation data through the Albanian Agritourism Association.

Acronyms

AKEM	*Agjencia Kombëtare e Ekonomisë së Mbetjeve* (National Agency for Waste Economy)
AKSHI	*Agjencia Kombëtare e Shoqërisë së Informacionit* (National Agency for Information Society)
ALPEX	Albanian Power Exchange
AML/CFT	antimoney laundering and combating the financing of terrorism
API	application programming interface
ATM	automated teller machine
B2G	business-to-government
BoA	Bank of Albania
CAGR	compound annual growth rate
CPSD	Country Private Sector Diagnostic
DMO	destination management organization
ECA	Europe and Central Asia
EEA	European Environment Agency
EPR	extended producer responsibility
EU	European Union
e-KYC	electronic know your customer
FDI	foreign direct investment
fintech	financial technology
G2P	government-to-person
GDP	gross domestic product
ICT	information and communication technology
Instat	*Instituti i Statistikave* (Albania, Institute of Statistics)
IT	information technology
IWM	integrated waste management
ISWM	integrated solid waste management
KPI	key performance indicator
KYC	know your customer
LTE	Long-Term Evolution 4G mobile broadband standard
MARD	Ministry of Agriculture and Rural Development
MICE	meetings, incentives, conferences, and exhibitions
MoE	Ministry of Environment
MoF	Ministry of Finance
MTCS	Ministry of Tourism, Culture and Sports
NAVETQ	National Agency for Vocational Education, Training and Qualifications
POS	point of sale
PPP	purchasing power parity or public-private partnership
PSP	payment service provider
QR	quick response
SEPA	Single Euro Payments Area
SME	small and medium enterprise
SOE	state-owned enterprise
STR	short-term rental
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	value added tax
VET	vocational education and training
WiMAX	Worldwide Interoperability for Microwave Access

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