



COUNTRY PRIVATE SECTOR DIAGNOSTIC

# CREATING MARKETS IN ALBANIA

Taking Advantage of New Trade and Investment  
Opportunities for a More Robust Private Sector

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Cover Photo: “That Girl”, Herta Biba, 2016, Albania

# EXECUTIVE SUMMARY

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**Despite a challenging transition period and a string of adverse shocks, in recent decades Albania has made major strides in raising per capita income and integrating into the world economy.** Since the end of the communist era, the country has achieved remarkable economic success. In the 2000s, strong and sustained gross domestic product (GDP) growth enabled Albania to surpass the World Bank's threshold for upper-middle-income status. Once one of the world's most isolated countries, Albania's economic opening and its increasingly dense ties with Europe have made external demand a major driver of GDP growth.

**A dynamic private sector has become the engine of Albania's economic development, and its increasing role continues to offer opportunities for expanding the country's economic base and promoting faster and more diversified export-oriented growth.** The agricultural sector, which provides livelihoods for a large share of lower-income households, is gradually adapting to international markets by leveraging the potential of niche products. Albania's tourism services have expanded dramatically in recent years, albeit from a small base, but the sector remains concentrated in a few coastal areas, leaving the country's vast natural and cultural resources still largely untapped. Labor-intensive manufacturing has created much-needed employment for the country's rapidly urbanizing population, and following the decline of the garment industry, a small but growing auto-parts subsector—closely tied to the European automotive value chain—is reinvigorating the manufacturing base.

**Albania is endowed with considerable economic assets, including a strategic geographical position, exceptional natural beauty, and abundant renewable and nonrenewable resources.** With 300 miles of coastline on the Adriatic and Ionian Seas offering direct access to both European and global markets. Albania possesses vast natural resources: about one-quarter of its total land area is arable and suited to a wide range of crops; its mountains and rivers provide inexpensive, low-carbon hydroelectric power; and its rich variety of coastal ecosystems have supported the development of fishing and tourism. Albania's subsoil assets include commercially viable deposits of petroleum, natural gas, chrome, and copper, and the country hosts a portion of the Trans-Adriatic Gas Pipeline. Albania has ready access to European markets, and it is located within the ambit of the European periphery regional value chain. Low labor costs have kept the manufacturing sector competitive, leaving Albania well positioned to take advantage of the nearshoring trend sparked by the COVID-19 pandemic.

**A politically stable environment, improving governance indicators, and a record of dependable macroeconomic policies have supported the process of EU accession, which offers a wide array of opportunities for the development of the Albanian private sector.** In the last two decades, power has changed hands regularly and peacefully, without any substantial threats to the integrity of the political system. A generally sound economic policy framework has bolstered the country's resilience to successive external shocks. As part of the EU accession process, Albania has implemented a wide range of institutional and regulatory reforms designed to establish compliance with EU standards and rules. These reforms are expected to attract greater foreign direct investment and enable a dynamic domestic private sector to emerge as the primary driver of economic growth.

**Because a small domestic labor pool and consumer market limit the potential for economies of scale, sustaining Albania's economic expansion will require intensifying its integration with the global economy.** While economic openness is vital to Albania's continued growth, its heavy reliance on an undiversified set of exports has left the economy highly vulnerable to changing external conditions. To strengthen its macroeconomic resilience, Albania will need to diversify its exports. As the country's small size limits its potential to develop a wide range of industries and sectors, most diversification will need to occur within existing sectors and value chains. In the services sector, diversifying tourism offerings away from existing beach destinations will ease infrastructure pressures while broadening the geographical distribution of returns on tourism and expanding Albania's appeal to international source markets. In the agricultural sector, continued efforts to obtain international quality certifications will enable producers to access a wider array of export destinations, especially for higher-value, consumer-ready products. In manufacturing, diversification along the automotive value chain will allow Albania to maximize the potential of its limited industrial capacity. The creation of backward linkages to domestic producers of raw materials and intermediate goods could increase value addition while mitigating exposure to input price shocks.

**Despite decades of progress, Albania continues to face serious structural and policy challenges.** The country's economic expansion has not been matched by commensurate improvements in productivity. Low rates of productivity growth within sectors have driven a sharp decline in overall productivity, as the presence of less-productive informal firms inhibits the entry and expansion of more-productive competitors in several sectors. A combination of declining productivity and rising wage rates undermined the competitiveness of the garment industry, which fell into a steep decline. Restarting productivity growth at both the aggregate and firm levels will be vital to ensure that the nascent auto-parts industry does not suffer the same fate.

**In this context, the World Bank Group has prepared the following Country Private Sector Diagnostic (CPSD) to assist the authorities in their efforts to leverage Albania's geographic location, natural assets, and improved institutional and policy framework to promote diversification, competitiveness, and robust private-sector-led growth.**

This report analyzes the key challenges facing Albanian firms, identifies opportunities to strengthen their competitiveness, and presents policy options designed to enhance their contribution to economic growth and diversification. Drawing on evidence from recent surveys, the CPSD highlights the constraints that high tax rates, burdensome tax administration, widespread informality, inadequate workforce skills, and infrastructure gaps impose on private firms and investors. It also reveals opportunities to catalyze growth by implementing the structural and institutional reforms necessary for the private sector to realize the full potential of Albania's human, physical, and natural assets.

**The analysis highlights the importance of improving the business environment while stepping up investments in technology and innovation.** Alleviating constraints on tax administration, informality, skills shortage, and infrastructure gaps affecting the development of the private sector need to be complemented by improvements in firms' capabilities and productivity. Albania's gross research and development (R&D) spending is extremely low by the standards of comparable countries. The government has fallen far short of its targets for public investment in R&D, and private R&D spending is minimal and inefficient. Business innovation has a direct impact on firm-level productivity, and investment in R&D is vital to Albania's competitiveness. Given the government's limited resources, policy makers should encourage firms to invest in innovation by strengthening the institutional and policy framework for R&D while adopting complementary policies aimed at improving education and building workforce skills, expanding access to finance, developing business-support services, and promoting international collaboration.

**The report explores three critical sectors for accelerating and diversifying growth: agribusiness and food processing, tourism, and automotive manufacturing.** These sectors were selected based on the country's potential for outward-oriented growth, as foreign investment and integration into global value chains will be vital to overcome the small domestic consumer market and labor pool. Increasing value addition in the country's large but low-productivity agricultural sector and raising the quality of agricultural output to the standards of European markets would contribute to diversification while accelerating income growth among many of the country's poorest households. While the tourism industry presents especially attractive opportunities for both growth and diversification, realizing its potential will require addressing the excessive concentration of tourism facilities, the sector's ecologically unsustainable development, and its focus on low-value market segments. Finally, supporting the development of the emerging auto-parts industry and deepening Albania's integration into the European automotive value chain could catalyze job creation by fostering the development of a dynamic, globally competitive manufacturing sector. In each case, realizing the potential of Albania's economic assets will require sustained structural reforms combined with institutional capacity-building.

## ALBANIA'S RECENT ECONOMIC DEVELOPMENT AND NEAR-TERM OUTLOOK

Albania's transition to free-market democracy in the early 1990s was followed by a period of low and volatile economic growth, as successive shocks and unresolved structural challenges slowed the reallocation of labor and capital to more-productive sectors. Following the extreme turbulence of the early transition, Albania's economy expanded rapidly in the 2000s, as economic openness, the deregulation of factory and output markets, and the privatization of state assets enabled the movement of labor and capital from agriculture to the more-productive manufacturing, construction, and services sectors. Favorable global economic conditions boosted the average GDP growth rate to 6.2 percent between 2000 and 2008, but the 2008–09 global financial crisis derailed Albania's expansion, and the 2011–12 eurozone sovereign debt crisis hindered its recovery. Meanwhile, weather-related shocks adversely affected the agriculture and hydropower sectors. Albania's average annual GDP growth rate fell to 2.4 percent between 2009 and 2013, and only a modest increase in agricultural output prevented a recession. Following the adoption of macroeconomic stabilization measures, including improved tax collection and the controlled growth of fiscal spending, the annual GDP growth rate increased gradually to an average of 3 percent in 2014–18, just half its 2000–08 average.

**Over the last decade, productivity growth has remained weak: marginal labor productivity and total factor productivity have both declined, and the average contribution of productivity to growth has been negative since 2009.** Reversing this trend is the country's core economic policy challenge. During the 2000s, increases in productivity largely reflected factor reallocation between sectors, but as the gains from reallocation have dwindled, factor accumulation has become the basis for productivity gains. Since 2014, capital formation has accounted for more than half of all GDP growth, and the expansion of the labor force has made a substantial contribution to growth despite slow rates of employment creation and high levels of emigration. Less-productive informal firms have failed to exit the market, inhibiting the expansion of more-productive formal firms. Meanwhile, labor productivity has stagnated since 2009 and is well below the averages for both the Western Balkans and peer countries worldwide. Productivity growth in Albania's manufacturing sector has been slow by regional standards, with little contribution from factor reallocation between firms, the upgrading of internal firm capabilities, or the replacement of less-efficient incumbents by more-efficient competitors. Widespread informality likely reduces business dynamism, as low-productivity firms can survive in the informal sector.<sup>1</sup>

**Consequently, a consistent focus on productivity growth should guide the reevaluation of private-sector policies, sectoral development strategies, and public investment programs.** The COVID-19 crisis has prompted private firms to revise and adapt their business models to fit a radically altered operating environment, and this widespread process of firm-level change creates space for policy makers to embrace innovative solutions to address the longstanding challenges embedded in Albania's growth model. While the potential gains from the reallocation of productive factors between sectors remain significant, accelerating productivity growth within sectors and firms will require improving the investment climate; encouraging technology transfer; and intensifying market dynamism through better regulation of competition and product markets, continued formalization efforts, and support for small and medium enterprises (SMEs).

**At the sector level, Albania's recent growth has been driven by the rapid expansion of tourism, supported by a large agricultural sector, while manufacturing output has stagnated.** Over the past two decades, Albania's travel and tourism (T&T) sector has expanded at a remarkable pace, with the number of international arrivals growing at an annual rate of 17 percent. In 2018, the sector generated US\$1.38 billion in added value, contributing 8.8 percent to GDP, and it is now Albania's main source of export receipts. When indirect and induced effects are accounted for, the contribution of T&T rises to 27 percent of GDP, highlighting its critical importance to other sectors. Meanwhile, agriculture's contribution to GDP and employment has declined over time, but it remains the backbone of the Albanian economy. Agriculture represents 20 percent of GDP, accounts for more than 40 percent of employment, and is the main source of income for Albanian households. The manufacturing sector has long struggled to fulfill its potential: in the 2000s, labor-intensive garment manufacturing became an important source of employment in urban areas, but the industry withered in the face of mounting price competition combined with stagnant productivity growth, and production was ultimately shifted to lower-cost destinations. In its place, a small but vibrant and promising auto-parts industry has very recently taken root, as low labor costs, greater economic stability, and improvements in the investment climate have attracted foreign direct investment (FDI), drawing Albania into the European regional automotive value chain. However, Albanian manufacturers must deliver sustained improvements in efficiency and value addition, or the nascent auto-parts sector risks meeting the same fate as the garment industry.

**In 2019, exogenous shocks disrupted Albania's gradual expansion, as the country suffered a severe drought followed by an earthquake.** Low levels of rainfall slashed hydropower production, and the completion of two large FDI-financed projects in the energy sector further slowed economic activity. The subsequent earthquake, which measured 6.3 on the Richter scale, caused at least 51 fatalities and inflicted damages and losses estimated at 7.5 percent of Albania's 2018 GDP. The tourism and construction sectors were hit hardest, and the annual GDP growth rate fell from 4.1 percent in 2018 to 2.2 percent in 2019.

**In 2020, the COVID-19 outbreak inflicted a staggering toll on the Albanian private sector, and the fallout from the pandemic poses a growing threat to macroeconomic stability.** The government adopted measures to contain the spread of COVID-19, including lockdown policies, limits on the movement of people, and the closure of international borders. Though crucial from a public health standpoint, these measures profoundly disrupted economic activity and slowed production in key sectors. This disruption compounded a decline in demand driven by precautionary behaviors and weakened consumer sentiment. The collapse of the global T&T sector has been especially challenging for Albania, which has also experienced a sharp drop in remittance flows. The combination of these shocks caused GDP to contract by 3.5 percent in 2020. The urgent need for fiscal support, first in response to the earthquake and then to the pandemic, has rapidly widened the fiscal deficit: debt levels have risen, and external financing needs have increased. Meanwhile, the sharp drop in tourism exports has eroded the current-account balance.

**In the aftermath of the pandemic, fostering a robust and sustainable recovery will require continued diversification and a more productive and resilient private sector.** While dependence on external markets is common among small economies, export concentration in few products and services intensifies their vulnerability to shocks. Albania's heavy reliance on an undiversified tourism sector has magnified the economic impact of the pandemic. Expanding the country's export portfolio is critical to strengthening its macroeconomic resilience and facilitating its transition to a more sustainable, productivity-driven growth model. Declining revenues and increased spending pressures are expected to widen the government deficit, and the necessity of fiscal consolidation will require the private sector to take a more active role in infrastructure investment and service provision. The success of the recovery will hinge on the dynamism of the private sector, as tightening budget constraints are expected to limit the government's ability to foster economic activity.

## **A SNAPSHOT OF THE ALBANIAN PRIVATE SECTOR: COMPOSITION, PRODUCTIVITY, AND INNOVATION**

While 99 percent of formal firms in Albania's nonagricultural private sector are microenterprises and small firms, the remaining 1 percent account for over 40 percent of employment and 56 percent of value added. The services sector encompasses 87 percent of nonagricultural formal firms, while the remaining 13 percent are in the manufacturing sector. In recent years, Albania's nonagricultural formal private sector has accounted for a rising share of total employment, sales, and value added, but the sector's contribution remains modest by the standards of peer countries. Between 2014 and 2018, total employment rose by 33 percent, with employment in the nonagricultural formal private sector growing by 39 percent, largely because of a formalization effort that led to the registration of many previously informal private firms, especially in accommodation and retail trade. As a result, the private sector's share in total employment expanded from 37 percent in 2014 to 42 percent in 2018, though it remains well below the European Union's (EU) average of 51 percent. Most firms are concentrated in relatively low-value-added activities, such as hotels and restaurants, retail trade, and basic manufacturing (for example, food, textiles, and garments).

**Albanian firms are less productive than their peers in the Western Balkans and in Europe as a whole, and firm-level productivity has been declining over the past decade.** The average productivity of Albanian firms is among the lowest in the Europe and Central Asia region and just half the average for the Western Balkans. Value added per worker is especially low in the manufacturing, accommodation, and food services subsectors at less than 10 percent of the EU average. Productivity levels are higher in the trade, transportation, and information-technology subsectors but are still just 15 percent of the EU average. Declining firm productivity in a context of severe exogenous shocks, including the 2019 earthquake and the ongoing COVID-19 crisis, highlights the urgency of establishing a productivity-driven growth strategy underpinned by policies that support private investment, encourage technology transfer, and foster the expansion and formalization of innovative, high-productivity SMEs.



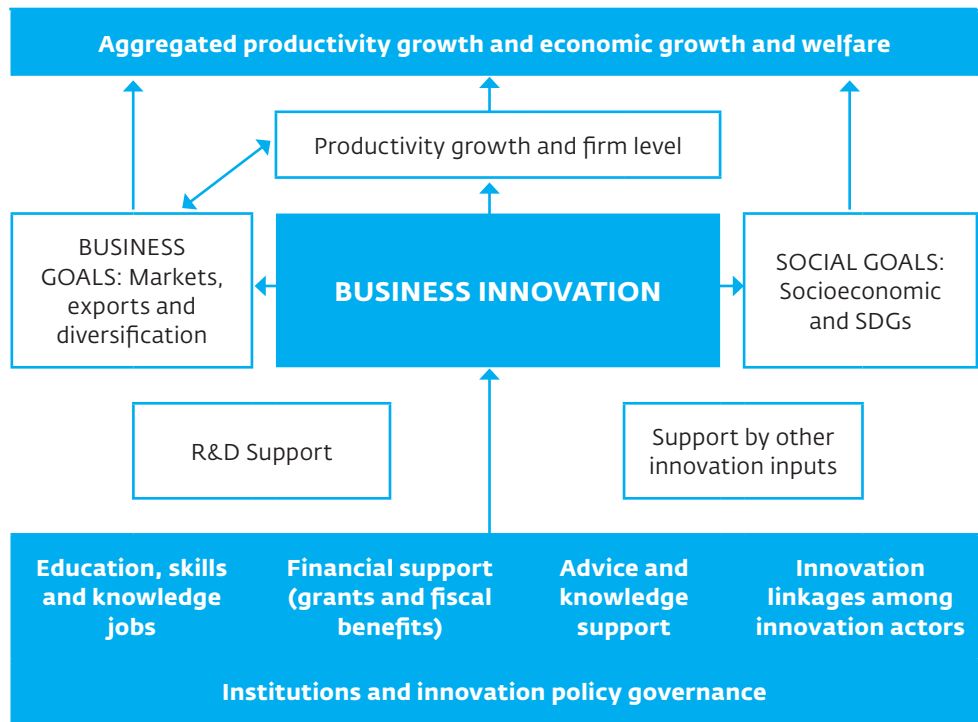
**The limited capabilities of Albanian firms and low foreign investment in the non-extractive/non-energy private sector contribute to low levels of productivity.**

Albanian firms are smaller than their international peers and are characterized by weak managerial skills and experience, modest trade exposure, low levels of financial sophistication, and slow rates of innovation and technological uptake, which weaken their demand for credit. Due to the proliferation of microenterprises and small firms, Albania's average firm size is below the average for the Western Balkans. While Albania's FDI levels are comparable to those of its regional peers, about 70 percent of FDI consists of rent-seeking investments in the energy and mining sectors. Efficiency-seeking FDI in the manufacturing sector is modest and concentrated in labor-intensive subsectors such as apparel and footwear and, more recently, the auto-parts industry.

**Closing the productivity gap will require improved firm management and greater investment in process upgrading.** Within-firm productivity gains will be vital to maintain competitiveness and accelerate GDP growth. Albania lags regional peers on measures of both innovation inputs, such as investment in R&D, or the adoption of new technological and innovation outputs, such as new patent registrations or the introduction of new products and services to the market. In the 2021 Global Innovation Index (GII), Albania ranked 71st on innovation inputs and 92nd on innovation outputs, out of 132 countries highlighting the need to create a more conducive innovation environment<sup>2</sup>. Better managerial practices will also be critical to upgrade firm-level capabilities and ensure that productivity growth keeps pace with wage rates.

**Albania invests very little in R&D, and existing R&D spending has little impact on the development and commercialization of new products, services, and business processes.** Albania's number of patent and trademark applications per capita is low by regional standards, and Albanian exporters are not nearly as innovative as their peers. In stark contrast to the experience of many comparable countries, where business-led R&D is a major driver of innovation, Albania's chronically underfunded R&D ecosystem contributes little to the introduction of new goods and services. More effective incentives for private R&D investment must be complemented by increased spending on public research institutions and sustained efforts to foster joint research projects by public universities and private firms and develop a suitable policy framework fostering innovation and productivity (Figure ES.1). Policy makers can also leverage the substantial Albanian diaspora to encourage cross-border collaborations involving both the public and private sectors.

**FIGURE ES.1. A POLICY FRAMEWORK: HOW TO PROMOTE BUSINESS INNOVATION IN ALBANIA**



Source: Rubalcaba, Luis; Slavova, Stefka, and Mariana Iootty De Paiva Dias (2021), World Bank report.  
 Note: R&D = Research and development; SDGs = sustainable development goals.

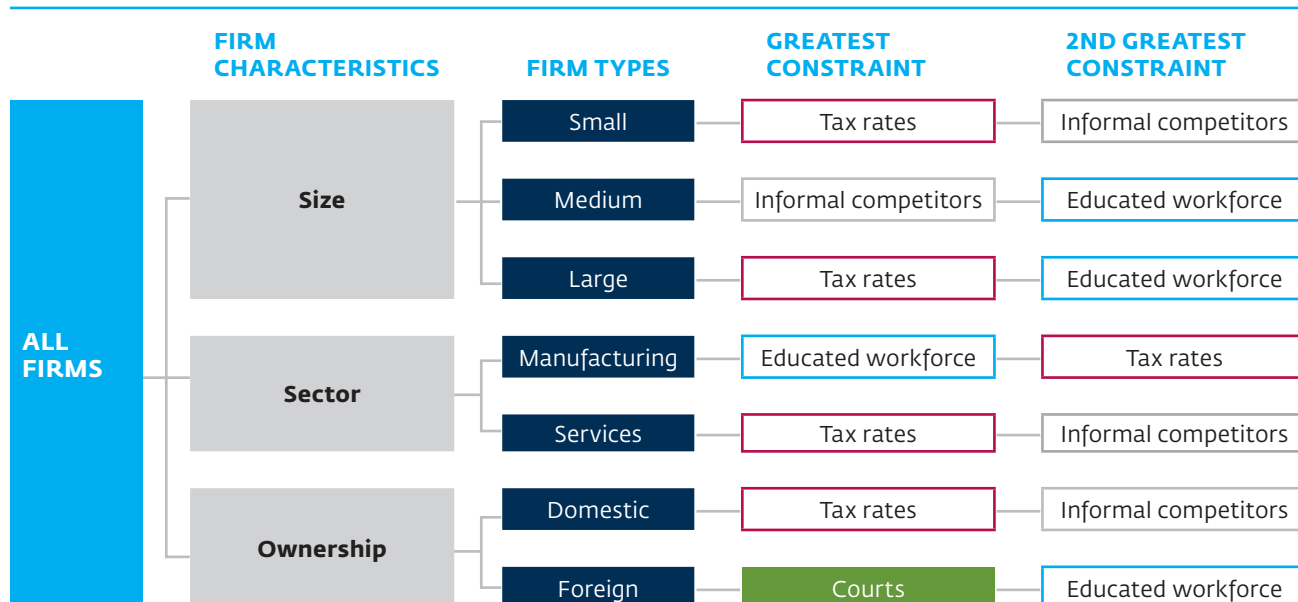
### CROSS-CUTTING CONSTRAINTS ON THE DEVELOPMENT OF THE PRIVATE SECTOR

Over the past decade, Albania has substantially improved its business climate, but there remains ample scope for further progress. The government has simplified licensing procedures, introduced incentives to increase private investment, encouraged the formalization of firms, improved access to land, established alternative dispute-resolution mechanisms, and enhanced the quality of infrastructure and public services, particularly in the energy sector. However, significant gaps in policy implementation, regulatory efficiency, and contract enforcement persist. Meanwhile, incomplete judicial reforms, wide discretionary power among government officials, and weak institutional capacity continue to hinder efforts to improve the business climate.

While important improvements have been observed in the last years, burdensome tax administration is still regarded as a major obstacle for the development of the private sector. The increasing adoption of digital tools that reduce face-to-face interactions, enhancements in the skills of tax auditors, and improvements in internal processes by the General Directorate of Taxes (GDT) are improving the relationship between the tax authority and taxpayers. The 2019–20 American Chamber of Commerce in Albania (AmCham) Business Climate Index confirms that firms perceive their relations with tax authorities to be improving, and 54 percent of firms rated their interactions with the tax authorities as good or very good. In the 2019 Enterprise Surveys, the share of firms citing tax administration as their greatest constraint fell from 12 percent in 2013 to 3.7 percent. Nonetheless, several international reports and surveys still point out tax administration and tax rates as one of the most serious constraints faced by firms. Albania requires 35 tax payments per year, the highest number in the region and more than twice the regional average of 14. The Global Competitiveness Report of 2019 ranks Albania 113th out of 141 countries on distortive taxation. The same 2019–20 AmCham Business Climate Index also indicates that 57 percent of firms mention that taxes had been very unfavorable for their businesses.

High tax rates are also deemed as constraining firms' expansion. The 2019 Enterprise Surveys also points out that almost half of interviewed firms identified high tax rates as a major challenge, and 21 percent cited tax rates as the greatest constraint for their expansion and Figure ES.2 below shows that this perception was shared by small and large firms, by firms in the service sector and by firms owned by Albanian citizens. Firms in the manufacturing sector perceive that the lack of educated workforce is the main obstacle for their development while foreign owned firms indicated the court system was the main obstacle they had been facing.

**FIGURE ES.2. MOST RELEVANT CONSTRAINTS ON DOING BUSINESS BY FIRM CHARACTERISTICS**



Source: World Bank Enterprise Surveys, 2019.

Despite the government's efforts to promote formalization, Albanian firms cite **informality as the second most important obstacle they face**. The share of firms that regard informality as their most important constraint declined substantially from 20 percent in 2013 to 11 percent in 2019, likely due to a successful formalization campaign launched in 2015. Informal employment is declining but remains widespread: the share of informal employment fell from around 50 percent of total employment in 2014 to 37 percent in 2019, but informal employment remains more common in Albania than among its regional peers.

**Albanian firms regard the scarcity of skilled workers as their third biggest obstacle.** Demand for highly educated workers has increased over the past decade, and a growing share of firms report having difficulty finding workers with specific technical skills and knowledge. In 2013, only 6 percent of firms that participated in the Enterprise Surveys identified a lack of skilled workers as a major constraint, but by 2019 this share had risen to 25 percent. This trend reflects the loss of skilled labor through emigration, which is further compounded by lack of technical and vocational education for workers in skill-intensive sectors such as auto-parts manufacturing.

**Albania's infrastructure gap with the Western Balkans region and European Union averages remains large.** The International Monetary Fund's 2017 composite public infrastructure index estimated the infrastructure gap between Albania and the European Union at 70 to 80 percent, and Albania ranked 110th out of 160 countries worldwide on indicators of infrastructure adequacy. While important progress has been made in recent years, Albania's gaps in road and railway networks, electricity supply, and broadband internet access are much wider than those of most Western Balkan peers. Improvements in the reliability of energy supply are reflected in the declining share of firms that regard electricity as their biggest constraint, which fell from 14 percent in 2013 to 8 percent in 2019. Between 2013 and 2019, the average number of outages per month fell from 4.2 to 1.5, while the average duration of outages declined from 1.7 hours to 0.36. In addition, 20 percent of firms regard inadequate transportation as a major or severe constraint. Although significant investment in road network expansion and maintenance yielded improvements in the extent and quality of the national network, Albania ranked just 115th out of 140 countries in terms of road connectivity in the 2018 Global Competitiveness Index.

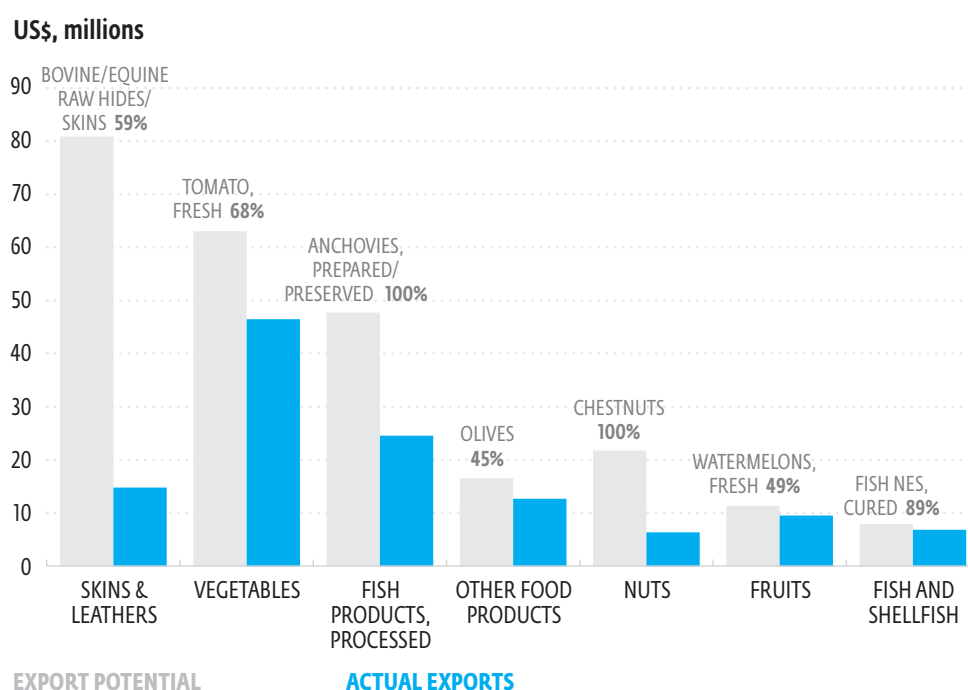
## **ENABLING THE DEVELOPMENT OF THE AGRIBUSINESS AND FOOD-PROCESSING SECTOR**

**Agriculture is the traditional mainstay of the Albanian economy and remains the primary source of income for a large share of the population.** Agriculture accounts for almost 20 percent of GDP and more than 40 percent of employment, and the sector contributes more than 10 percent to Albania's merchandise exports. Horticulture and livestock represent the largest shares of the total value of agricultural output, and the production and exportation of fruits and vegetables have both increased significantly in recent years. About half of Albanian farmers are engaged in livestock production, and while dairy output has increased significantly, there is considerable scope to expand dairy exports.

**Albania has untapped export potential in horticulture products, meat, hides and skins, vegetables, nuts and fruits, processed fish, and organic products.** Individual items with substantial underutilized potential include bovine and equine hides and skins, fresh tomatoes, preserved anchovies and other cured fish, chestnuts, watermelons, and prepared olives (see Figure ES.3). Organic farming also offers promising opportunities for Albanian farmers, as the country presents a good value proposition in organic products. While organic production currently accounts for less than 0.1 percent of Albania's cultivated area, it is growing at one of the fastest rates in Europe. Dairy output has been rising since the early 2000s, supported by investments in livestock breeds and improved farm management, but a lack of certification hinders access to the EU export markets. Despite increased domestic production, Albania remains a net dairy importer, especially of processed dairy products.

**Land fragmentation and access to finance are serious constraints on the development of modern, competitive agriculture and agribusiness sectors in Albania.** While most land is registered, land fragmentation and tenure uncertainty prevent farmers and agribusiness firms from investing and expanding production. A large share of Albania's cultivated land is distributed among numerous small, informal farms. There are about 359,000 farms in Albania, with an average size of 1 hectare, and most smallholder farms are not registered with the tax administration. The absence of farming cooperatives or other producer organizations, combined with weaknesses in the land market, constrain private investment and contribute to low productivity. Access to finance is another key constraint, and the lack of working capital in the agricultural sector is reflected in poor seed quality, limited mechanization, and low levels of fertilizer usage per acre, which adversely impact productivity.

**Inadequate irrigation and transportation infrastructure also hinder the development of a competitive, export-oriented agribusiness sector.** Only 57 percent of the rural population has access to water services, and only 19.6 percent of agricultural land is irrigated. Gaps in transportation infrastructure are a major obstacle as well. The government has recently invested in modernizing the country's roads, ports, and airports, with a focus on expanding the road network in the north and modernizing the port of Durrës, which is responsible for 90 percent of the country's maritime trade. However, Albania's road network is still limited, with few connections to remote regions and to the large agricultural areas in the southern part of the country.

**FIGURE ES.3. ESTIMATED EXPORT POTENTIAL**

Source: UN COMTRADE data from International Trade Centre Map.

Note: percentages reflect the share of value of product export potential in the subsector, i.e., fresh tomatoes are 68 percent of total vegetables export potential; nes = not elsewhere specified

**The slow process of bringing Albanian food standards in line with EU requirements inhibits agricultural export growth.** Albania pursues a liberal agricultural trade policy and has signed several trade agreements designed to broaden access to external markets, but inadequate adherence to international quality and safety standards limits its export potential, especially in markets for higher-value processed goods. More than 90 percent of Albania's agriculture and food exports are sent to EU members or candidate states, yet Albania's standards for animal health, plant health, and traceability controls still fall short of EU requirements. Aligning domestic standards with EU requirements will expand Albania's access both to European and global markets, as EU standards are among the most stringent worldwide. Currently, only a few large producers have facilities that comply with relevant safety and quality requirements. The drafting of an export strategy program will provide in-depth assessments of potential export sectors and define concrete measures to support them and will facilitate the integration of the agriculture sector with external markets.

**Policy actions in five key areas would enhance Albania's agricultural competitiveness and facilitate access to EU markets.** These areas include (a) implementing land reforms; (b) addressing land fragmentation; (c) improving access to irrigation and transportation infrastructure; (d) enhancing food standards and obtaining international certifications; and (e) strengthening cross-sector linkages to increase export competitiveness. Specific short- and medium-term policy actions under each of these five areas are described in detail in Table ES.1: Matrix of Policy Recommendations at the end of the Executive Summary.

## **FOSTERING A DIVERSIFIED, HIGH-VALUE, AND SUSTAINABLE TOURISM SECTOR**

The T&T sector has become the engine of Albania's growth and the country's most important link to the global economy. At 8.8 percent, the direct contribution of T&T to Albania's total economic output is more than double both the global average (3.4 percent) and the EU average (3.8 percent), and slightly larger than the share in Greece (8.5 percent) and Tunisia (8 percent), though smaller than the share in Croatia (10.9 percent) and Montenegro (10.4 percent). When the indirect and induced effects of tourism spending are accounted for, the value added by Albania's T&T sector rises to US\$4 billion, or 27 percent of GDP. T&T services represent Albania's largest source of foreign exchange, and the value of T&T exports grew from US\$405 million in 2000 to US\$2.8 billion in 2018. In 2018, T&T exports represented 38 percent of Albania's total exports of goods and services and more than 70 percent of services exports, far above both the global and comparator-group averages.

**Tourism development in Albania has focused on a mass-market, beach-based model, which is associated with low value added per tourist, a high degree of seasonality, and intense geographic concentration.** Mass tourism based primarily on sun-and-sand attractions is typically developed around high-volume hotels and resorts, which anchor dense clusters of retail stores, entertainment venues, and guided-tour operators. On average, international tourists visiting Albania spend less than they do in other Mediterranean countries and in the European Union. The average length of stay for visitors to Albania is also shorter than in competing destinations. Low levels of spending per tourist and short stays are associated with an undiversified tourism value chain that involves a limited range of attractions, activities, hotels, restaurants, and shops. Albania's "blue tourism" subsector, which includes activities such as boating, diving, recreational fishing, and aquatic sports, is largely undeveloped. Despite Albania's unique cultural heritage, cultural tourism represents only a small fraction of the industry.

**Albania's T&T sector has been hit hard by COVID-19, though it has fared better than many regional comparators.** In 2020, international arrivals to Albania fell by 59 percent, compared with 2019. While still a major shock, this drop was less severe than those experienced by Croatia (-68 percent), Greece (-77 percent), and Montenegro (-85 percent). The accommodation subsector shrank by 75 percent, year on year, in the second quarter of 2020 and, with the recovery in the 2020 summer season, ended the year falling by 12 percent. The crisis has been especially difficult for the small and medium operators that dominate Albania's hospitality sector, as they typically have more difficulties in accessing flexible lines of credit and other forms of support.

**The impact of COVID-19 underscores the urgent need for Albania to rebalance its approach to tourism development.** The COVID-19 pandemic presents an opportunity for Albania to transform its tourism sector in ways that enhance its ability to generate value, safeguard the country's natural and cultural capital, and cope with future shocks. By developing a diversified blue tourism subsector, targeting higher-value source markets, and linking coastal areas to inland tourism centers, Albania could greatly increase the marginal revenue generated by each tourist while supporting sustainable development and accommodating shifting preferences for outdoor and socially distanced tourism activities. A conservative estimate by the World Bank Group indicates that implementing an effective blue tourism strategy could increase international arrivals by about 208,000 while boosting tourism revenue by US\$420 million a year or more.

**Shifting to a more diverse and sustainable tourism model will require investment in marinas, boating and diving activities, recreational fishing, and nature-based activities.** Albania enjoys a strategic position between highly developed marinas in Croatia, Montenegro, Italy, and Greece, and, while some degradation has been observed in recent years, it still has an advantage over marine destinations that are already overcrowded and overpriced or have had their natural environments spoiled by poorly managed development. Boating facilities are in high demand in the region and would offer a way for tourists to explore remote coastal areas and to reach the country easily from nearby sailing hubs. Albania also has significant but largely unexploited potential as a diving destination, and its undeveloped coastal stretches include many untouched beaches and natural sites. Indeed, the government's National Strategy for Sustainable Tourism Development 2019-2023 outlines the objectives and actions for the consolidation and expansion of the coastal tourism offer in the country, through investments in the construction of ports and marinas and support for new infrastructure for maritime tourism.<sup>3</sup> To realize its full potential, blue tourism should be integrated with inland tourism activities, such as mountain, cultural, and village tourism. Mountain tourism in the Albanian Alps and the Korab Mountains can draw tourists away from Albania's beaches while lengthening the tourist season. This potential is acknowledged in the National Strategy for Sustainable Tourism Development 2019-2023, which encompasses the establishment of the natural as well as thematic tourism programs, and supports new tourism products, such as hiking trails, cycling, and activities related to winter tourism. Thus, the strategy aims to diversify the existing tourism product and increase the value added of the tourism services offered by the country.<sup>4</sup>



**A successful transition to a more diversified and sustainable tourism model will require government action in seven areas.** These areas include (a) infrastructure; (b) the legislative and regulatory framework, (c) workforce skills; (d) firm-level innovation and technology transfer; (e) entrepreneurship support; (f) access to finance; and (g) data management for evidence-based policymaking. Major investments are required in airports, roads, and tourism-specific infrastructure in underdeveloped sites, such as national parks and mountain areas. In already-developed coastal areas, upgraded cruise terminals and improved water and waste management would enhance the quality of tourism services. Firm-level support for skills building, innovation, and entrepreneurship can underpin more environmentally and socially sustainable growth. By adopting innovative technologies, businesses can make efficiency improvements in water, energy, and waste management while protecting biodiversity and enabling the sustainable development of local communities. Detailed short- and medium-term reform actions under each of these areas are outlined in table ES.1: Matrix of Policy Recommendations.

## **REALIZING THE POTENTIAL OF AUTOMOTIVE MANUFACTURING**

In recent years, foreign investors have established a small but growing auto-parts industry in Albania, which offers lower labor costs than other regional countries, as well as relative economic stability, an improving investment climate, and fiscal incentives. Albania's nascent auto-parts industry is part of the European periphery regional value chain (EP RVC), which includes more than 13 countries in Central and Southeastern Europe, the Middle East, and North Africa. Other Western Balkan countries such as Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia have also established a substantial presence in the auto industry. Suppliers in the EP RVC tend to focus on conventional systems, such as internal-combustion engines or body and chassis components; they play an important role in the processing of traditional materials such as metal, plastic, and rubber; and they often specialize in labor-intensive activities like wiring harnesses. Albania's auto-parts industry currently encompasses six foreign companies that specialize in niche components, such as exhaust systems, rubber parts, and wiring. The automotive sector contributes significantly to the exports of many Western Balkan economies. By contrast, Albania's automotive sector is smaller than those of its regional peers, and auto parts account for less than 1 percent of its total merchandise exports.

**Albania's geographical position and close trade ties with EU member states and other countries in the EP RVC underpin the growth potential of its automotive sector.** Albania offers significant labor-cost advantages over higher-income peers. The country is strategically located near the key markets of Italy and Greece, and it has low-cost overland access to other EU countries. Albania is a regional transport hub, with the ports at Durrës and Vlora linked to the European road network, offering access to maritime shipping for its landlocked Balkan neighbors. Moreover, Albania has signed and ratified the 2006 Stabilization and Association Agreement, which expands its access to EU markets; it has a free trade agreement (FTA) with Turkey; it is a signatory to the Central European Free Trade Agreement (CEFTA); and it has signed an FTA with the European Free Trade Association. The EU provides about 61 percent of Albania's imports and receives 76 percent of its exports. Interviews with foreign investors in Albania indicate that the average cost of a blue-collar worker is one-seventh the cost of a comparable worker in France. Given economies of scale and the decreased transportation and logistics costs implied by geographic proximity, original equipment manufacturers (OEMs) operating in EU countries are increasingly outsourcing to emerging markets in Eastern Europe. In line with its comparative advantage in labor costs, the current portfolio of auto parts manufactured in Albania largely consists of labor-intensive products requiring semiskilled manual workers, including wire harnesses, exhaust hangers, locks, and cables.

**Albania has an opportunity to take advantage of recent changes in vehicle production and the nearshoring of value chains spurred by the COVID-19 pandemic.** An important realignment is underway not only for automotive products, but also for production processes and players throughout the automotive value chain, and the emerging production-nearshoring trend in the EP RVC could accelerate the rise of the Western Balkans as a manufacturing hub for automotive components. Global OEMs and Tier 1 auto-parts suppliers are attempting to develop systems and components hubs in Eastern Europe, while North African countries are attracting investments in vehicle assembly. In this regard, the EP RVC automotive supplier base is comparable to those in other emerging regions, with low labor costs representing a major competitive advantage.

**Two macrolevel trends—electrification and connected mobility—are transforming the automotive industry, and Albania could enhance its participation in the EP RVC by exploiting emerging niches in the automotive value chain.** Electronics and software are increasingly important components of a vehicle's total value. Automotive semiconductor sales have tripled over the last two decades, and the average software content of large passenger cars is projected to expand at a compound annual growth rate of 11 percent. OEMs are rarely well positioned to develop new technologies internally, creating an opportunity for information and communication technology (ICT) companies to compete for electronics- and software-related segments of the value chain. Albania produces substantial amounts of copper ore, and the country could transform itself into a center for copper-wire production for 75-kilowatt-plus electric motors and onboard electronics. Policies that foster the growth of specific production segments, including electronic components, high-voltage distribution units and harnesses for e-mobility, cabling systems, and wire-harnesses, among others, could enable Albanian suppliers to expand their in-house capabilities and move up the value chain.

**While labor costs, location advantages, and government incentives have attracted investments in auto-parts manufacturing, there are important barriers to the further development of the sector.** Consultations with foreign investors reveal an unmet need for trained, knowledgeable, and experienced local workers. As little technical training is available for workers seeking jobs in the automotive industry, hiring firms are compelled to deliver in-house training at their own expense. Providing on-the-job training to local workers makes up about 10 percent of the total cost base for an auto-parts supplier in Albania.

**The international experience highlights a range of effective strategies for leveraging low labor costs and geographical advantages, which should inform the development of a clear and consistent vision for the future of auto-parts manufacturing in Albania.** The lack of an overarching government strategy for integrating Albania into the EP RVC remains an important limitation. Establishing an industry association to consolidate information about the automotive sector and its key players would enable more effective sector-level analysis and oversight while facilitating discussions between the government and investors. Of course, this initiative should be led by the private sector which needs to perceive that such an industry association would also be able to advocate for supportive investments and improvements in the business climate more effectively than individual firms and would bring collective gains to its members and the private sector in general. In addition, creating designated industrial sites and prebuilt factories with access to appropriate physical infrastructure, financial, trade, and logistics services, and customized vocational training programs could greatly enhance Albania's competitiveness and catalyze the development of new industries.

**The government could facilitate investment in auto-parts manufacturing by operationalizing its existing industrial zones.** The government has established technological and economic development areas (TEDAs) that could host auto-part suppliers, but they are not yet functional. The TEDAs should be managed by the government or by private firms through concession contracts, and they should operate as profit centers. Plug-and-play industrial buildings that can be either purchased or rented on a long-term basis, as well as shared services (for example, training facilities, transportation services, and logistics infrastructure) would allow suppliers to shift their operations to Albania by reducing the startup costs associated with relocation. The TEDAs need to offer suppliers easy access to European OEMs while anchoring the development of manufacturing clusters that enable the formation of economies of scale and reduce search costs. Analyzing the vast international experience with industrial parks could yield useful insights into the factors that determine success, which policy makers could leverage to strengthen the existing framework. In parallel, the expedited operationalization of at least one pilot TEDA could enable the authorities to gain practical experience in zone management while revealing unanticipated challenges.

**Investment in workforce skills is a key priority for Albania.** To train workers in the competencies demanded by the automotive industry, the authorities should establish programs in areas such as the International Automotive Task Force 16949 and related components (failure mode and effects analysis, measurement system analysis, advanced product quality planning and control plan, production part approval process, and so forth), which provide a common technical language for automotive production. Similar trainings should focus on machinery, metallurgy and materials, mechatronics, and electrical and electronics engineering, which would benefit both the automotive industry and other sectors to which such skills can be transferred.

TABLE ES.1. MATRIX OF POLICY RECOMMENDATIONS

REFORM AREAS	SHORT-TERM ACTIONS	MEDIUM-TERM ACTIONS
<b>Cross-cutting challenges</b>		
<b>Firm capabilities and innovation</b>	<ul style="list-style-type: none"> <li>• Adopt a forward-looking science, technology, and innovation strategy that would update Albania's 2009–15 predecessor, with a focus on increasing the quantity and quality of R&amp;D.</li> <li>• Examine the potential for Albania's research infrastructure to support industry-academia collaboration—for example, by producing a research infrastructure roadmap and associated action plan—and strengthen existing institutions to support university training at three levels (BSc, MSc, and PhD).</li> <li>• Improve data collection and dissemination on R&amp;D and innovation in line with Eurostat standards.</li> <li>• Establish credit guarantee schemes for Small and Medium Enterprises (SMEs) or transform the credit guarantee programs launched by the government in response to the COVID-19 pandemic with transparent governance structures and rigorous risk management and monitoring frameworks.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide incentives to encourage collaboration on R&amp;D and innovation among key stakeholders, including public institutions and private firms</li> <li>• Consider expanding incentives to encourage private investment in R&amp;D not just for firms to be established in technological and economic development areas (TEDAs) or investments covered by the Law of Strategic Investments.</li> <li>• Improve institutional governance in public research institutions to foster a culture of scientific excellence in key research areas.</li> <li>• Increase investment in public and private R&amp;D by directly funding research grants and designing collaborative grant schemes.</li> <li>• Increase entrepreneurship support by improving the availability of incubation services, management training, and financing for innovative startups.</li> </ul>
<b>Tax administration</b>	<ul style="list-style-type: none"> <li>• Strengthen compliance-risk management systems by adopting automated tools and risk differentiation to reduce the administrative burden of verifying tax compliance, especially in terms of inspection visits.</li> <li>• Increase use of online services to reduce face-to-face interactions and reduce taxpayers' time in dealing with taxes.</li> <li>• Ensure the timely payment of value-added tax (VAT) refunds.</li> <li>• Launch a program to strengthen professional integrity and reduce corruption risks at the General Directorate of Taxes (GDT).</li> </ul>	

REFORM AREAS	SHORT-TERM ACTIONS	MEDIUM-TERM ACTIONS
<b>Infrastructure management</b>	<ul style="list-style-type: none"> <li>• Assess the possibility of establishing an energy stabilization fund to attenuate cost fluctuations that affect the government budget.</li> <li>• Ensure competitive procedures for establishing public private partnerships (PPPs) by eliminating bonuses for unsolicited proposals and removing exceptions allowing unsolicited proposals in specific sectors.</li> <li>• Extend the existing result-based road maintenance and rehabilitation contracts and expand their use to the secondary road network.</li> </ul>	<ul style="list-style-type: none"> <li>• Further diversify the energy matrix to enhance reliability of energy provision. Integrate the management of PPPs into the government's public investment management system.</li> <li>• Upgrade result-based road maintenance and rehabilitation contracts to form longer-term PPP contracts.</li> </ul>
<b>Agribusiness and food processing</b>		
<b>Land reform</b>	<ul style="list-style-type: none"> <li>• Improve the quality of data in the land register.</li> <li>• Digitize all agricultural land and cadastral data.</li> <li>• Set up a unique digital cadastre map.</li> </ul>	<ul style="list-style-type: none"> <li>• Open agricultural land and pastureland to foreign ownership.</li> <li>• Offer land-registration services through a PPP arrangement.</li> </ul>
<b>Land fragmentation</b>	<ul style="list-style-type: none"> <li>• Explore the potential use of out-grower schemes and contract farming, and support the establishment of farmer associations.</li> <li>• Conduct an in-depth analysis of postharvest facilities, including the role of consolidators, and explore alternative aggregation models.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen agricultural marketing infrastructure (particularly wholesale markets) through PPP arrangements.</li> </ul>
<b>Access to infrastructure</b>	<ul style="list-style-type: none"> <li>• Improve rural road conditions by signing result-based maintenance and rehabilitation contracts with private-sector operators.</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in road infrastructure and improve access to rural areas.</li> <li>• Rehabilitate irrigation infrastructure and invest in extension services to improve water management.</li> </ul>

REFORM AREAS	SHORT-TERM ACTIONS	MEDIUM-TERM ACTIONS
<b>Food standards and certification systems and infrastructure</b>	<ul style="list-style-type: none"> <li>• Harmonize national legislation with European Union (EU) requirements for horticulture products, dairy products, and other food products.</li> <li>• Increase awareness of export requirements among SMEs, including those related to food safety, and support implementation of hazard analysis and critical control point (HACCP) in both the public and private sectors.</li> <li>• Strengthen the capacity of the Food Safety Agency to oversee food hygiene, implement HACCP, and enhance food traceability by building the expertise of regional teams.</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade quality-assurance and private-service certification services.</li> <li>• Invest or establish partnerships with the private sector to set up accredited export testing labs and standards certification services, accessible by SMEs and recognized by export markets.</li> </ul>
<b>Sector linkages and export competitiveness</b>	<ul style="list-style-type: none"> <li>• Improve customs processes and border-clearance procedures to reduce the average time and cost involved in exporting.</li> <li>• Provide capacity building for farmers and SMEs in accounting and finance skills.</li> <li>• Improve the quality of agriculture statistics.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish digital platforms for connecting producers, off-takers, and end markets</li> <li>• Build staff capacity in agricultural research and extension services.</li> <li>• Explore PPP arrangements for ICT-enabled extension services.</li> <li>• Ensure proper budget allocations for a state credit guarantee and explore the establishment of other risk-sharing facilities to improve access to finance and reduce borrowing costs.</li> <li>• Support the development of tools to incentivize agricultural and weather insurance.</li> <li>• Support the financing of postharvest infrastructure in compliance with international certification plans.</li> <li>• Improve the effectiveness of public spending on agriculture and environment through better targeting of limited resources and a gradual shift in the sector public spending to better align with EU policies and requirements under the EU Green Deal.</li> </ul>

REFORM AREAS	SHORT-TERM ACTIONS	MEDIUM-TERM ACTIONS
<b>Tourism</b>		
<b>Transportation connectivity</b>	<ul style="list-style-type: none"> <li>• Improve road conditions to coastal destinations and inland tourist sites by using results-based maintenance and rehabilitation contracts.</li> <li>• Improve maritime navigation, border management, and immigration procedures in line with EU standards and COVID-19 guidelines to facilitate the arrival of tourists and private vessels by sea.</li> <li>• Upgrade Saranda's cruise-terminal facilities to accommodate tourist services and improve the appearance of the area.</li> <li>• Develop essential national park infrastructure, including access roads, parking, signage, toilets, waste collection areas, and visitor information centers.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve air connectivity by assessing costs and benefits of the construction of a new airport at Vlora.</li> <li>• Reengineer the existing ports at Durrës, Saranda, and Vlora to enable the development of all-weather city center marinas.</li> <li>• Upgrade waste-management systems and facilities covering waste collection, separation, and processing.</li> <li>• Carry out traffic studies and implement plans to ease traffic in Durrës and other major tourist areas.</li> </ul>
<b>Legislative and regulatory gaps</b>	<ul style="list-style-type: none"> <li>• Harmonize the national legislation with the Marine Strategy Framework Directive.</li> <li>• Approve and implement the Law for the Activities of Marine Tourism.</li> <li>• Update the Tourism Law to properly categorize and license all types of accommodation providers, require annual inspections, and apply the tourism tax nationwide.</li> </ul>	<ul style="list-style-type: none"> <li>• Update the Maritime Laws to include nautical tourism and recreational vessels.</li> <li>• Align navigation procedures with EU standards to enable boats to register only once at their first port or marina.</li> <li>• Develop urban plans for Durrës, Saranda, Shengjin, and Vlora that prioritize environmental conservation and prevent illegal construction projects.</li> </ul>
<b>Innovation, entrepreneurship, and specialized workforce skills</b>	<ul style="list-style-type: none"> <li>• Create online training programs for the hospitality sector in collaboration with industry partners, including international hotel chains.</li> <li>• Create online university training programs in product development, marketing, market intelligence, data analysis, and languages.</li> <li>• Train staff working for conservation organizations and related groups to enable them to obtain certifications as wildlife experts or hiking guides.</li> <li>• Create programs to encourage the adoption of innovative technologies, and implement process improvements to promote efficiency in water, energy, and waste management.</li> </ul>	<ul style="list-style-type: none"> <li>• Construct a maritime training center for training boating, diving and watersport instructors.</li> <li>• Facilitate access to finance through a dedicated blue economy partial credit guarantee plan and establish hybrid public- and private-sector funded financing instruments.</li> </ul>

REFORM AREAS	SHORT-TERM ACTIONS	MEDIUM-TERM ACTIONS
<b>Institutional capacity-building and information</b>	<ul style="list-style-type: none"> <li>• Build the capacity of the Albanian Investment Development Agency, the Ministry of Tourism and Environment, and the National Tourism Agency to better understand the needs and opportunities of the tourism sector and define strategies for attracting investment.</li> <li>• Establish destination-management organizations to engage tourism stakeholders and promote blue tourism at the regional level.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve digital marketing and deliver targeted blue-tourism campaigns.</li> <li>• Invest in the digitization of records and create an online portal for tourism businesses to access all relevant regulations, apply for licenses and permits, file tourist data, and pay tourism-related taxes.</li> </ul>
<b>Automotive manufacturing</b>		
<b>Strategic positioning and investment promotion</b>	<ul style="list-style-type: none"> <li>• Adopt a development strategy for the automotive manufacturing sector that reflects Albania's role in the European Periphery Regional Value Chain (EP RVC).</li> <li>• Formally include the automotive manufacturing sector in the Strategic Investment Law.</li> </ul>	<ul style="list-style-type: none"> <li>• Define an investment-promotion plan consistent with the sector's development strategy.</li> <li>• Establish an industry association for the automotive sector to represent members in matters dealing with the automotive industry and to act as an agent of the industry and its members vis-à-vis public bodies and other organizations.</li> </ul>
<b>Industrial parks</b>	<ul style="list-style-type: none"> <li>• Review the existing policy and legal framework for technological and economic development areas (TEDAs) to align them to best international practices.</li> <li>• Undertake a marketing campaign for international developers and managers of industrial parks before initiating tendering processes for the first TEDAs,</li> </ul>	<ul style="list-style-type: none"> <li>• Reform the policy and legal framework based on the evaluation of the current one</li> <li>• If first pilot TEDAs are successful, expand the campaign to future TEDAs</li> </ul>
<b>Workforce skills development</b>	<ul style="list-style-type: none"> <li>• Establish technical training programs in automotive production, machinery, metallurgy and materials, mechatronics, and electrical and electronics engineering.</li> <li>• Establish training agreements with universities and technical schools.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide high-quality research equipment and infrastructure in measurement and testing to establish scientific and technical capacities.</li> </ul>
<b>Infrastructure and services</b>	<ul style="list-style-type: none"> <li>• Improve transportation logistics in the triangle between Tirana International Airport Nënë Tereza, the Port of Durrës, and the Tirana city center.</li> </ul>	<ul style="list-style-type: none"> <li>• Further upgrade transportation infrastructure, including ports and overland routes</li> </ul>

Notes: Short-term refers to actions within 1-2 years, medium term refers to action to be taken in 3 years or more.

EP RVC = European periphery regional value chain EU = European Union; HACCP = hazard analysis and critical control point; ICT = information and communication technology; PPP = public private partnership; SME = small and medium Enterprises; TEDA = technological and economic development areas.



**NOTES**

- 1 World Bank, 2019. Growth and Jobs Policy Implementation Support. Unlocking Jobs and Growth Through Productivity: A Firm-Level Diagnostic of Albania.
- 2 World Intellectual Property Organization, WIPO. Global Innovation Index 2021.
- 3 The National Strategy for Sustainable Tourism Development 2019-2023 clearly defines the need for a more diversified tourism offer under objective 3.1 "Development of the Coastal and Maritime Tourism Program and creation of new products".
- 4 Objectives 3.2 and 3.3 of the National Strategy for Sustainable Tourism Development 2019-2023.

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