

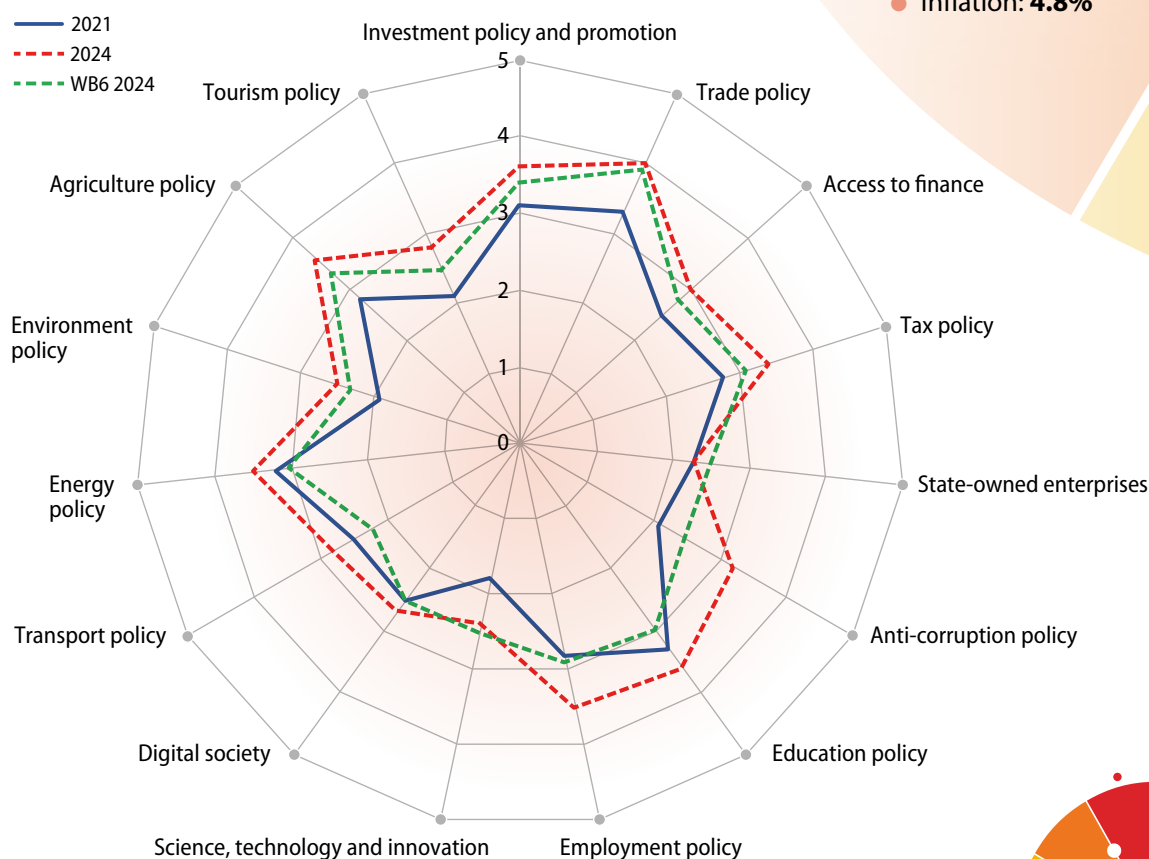
# Western Balkans Competitiveness Outlook 2024

OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

## Albania

Since the *Competitiveness Outlook (CO) 2021*, Albania has progressed across 14 out of 15 policy dimensions, with the strongest improvements seen in the areas of anti-corruption, agriculture, and employment policies. Outperforming the average of the six Western Balkan (WB6) economies in 13 dimensions, Albania is the regional leader in anti-corruption, education, and employment policies but falls below the regional average in state-owned enterprises (SOEs) and science, technology, and innovation (STI), despite notable score increases. For additional insights into Albania's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org).

### Albania's Competitiveness Outlook performance<sup>1</sup> (2021 and 2024)



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

1. Source: OECD (2024), *Western Balkans Competitiveness Outlook 2024: Albania*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/541ec4e7-en>.



### Key facts<sup>1</sup>

(2023 estimate)

- GDP growth: **3.3%**
- Unemployment rate: **11.0%**
- Exports of goods and services: **37.4% of GDP**
- Net FDI: **6.8% of GDP**
- Inflation: **4.8%**



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## Main achievements

- Efforts to combat **corruption** in Albania have been significantly strengthened through a comprehensive legal and institutional framework and substantial resource reinforcement. Between 2018 and 2022, the General Directorate of Anti-Corruption quadrupled its staff, while the budget of the High Inspectorate for the Declaration and Audit of Assets and Conflicts (HIDAACI) increased by 40%. High-level corruption convictions have steadily risen since 2018, attributed in part to robust safeguards ensuring institutional independence.
- Albania's **agriculture** sector is experiencing a productivity surge driven by improved rural infrastructure and information systems. Investment in irrigation infrastructure has doubled capacity to 265,000 hectares between 2013 and 2023. The establishment of a Farm Accountancy Data Network (FADN) further supports the sector, which contributes 18.4% of GDP and 35% of employment, the largest in the Western Balkans, promising additional growth.
- The **employment** sector shows positive trends, boasting the highest activity rate (73.2%) and employment rate (65.0%) in the Western Balkans in 2022, nearing EU averages (74.5% and 69.8%). Recent initiatives, like sectoral skills committees, vocational education program revisions, and expanded affordable childcare, aim to bridge labour market gaps and enhance female workforce participation.
- Albania has made significant strides in **environmental** policy, with the lowest greenhouse gas emissions per capita in the region (2.7 tonnes of CO<sub>2</sub> equivalent per capita), less than one-third of EU and OECD averages. Progress includes aligning climate change frameworks with the Paris Agreement, setting GHG emission reduction targets, and developing a circular economy roadmap to promote sustainable resource use.

## Main priorities

- Albania should prioritise strengthening the governance of **state-owned enterprises** (SOEs), which currently operate in a largely decentralised manner, lacking a whole-of-government ownership policy. Significant shortcomings in SOE board arrangements, along with growing state subsidies to SOEs and the absence of rate-of-return expectations, increase corruption-related risks and risk distorting the level playing field.
- To enhance **Science, Technology, and Innovation** (STI) execution, Albania should increase public investment and improve data collection. Despite ongoing development needs, research and development (R&D) investment remains low, with limited scientific outputs and stagnating national patent applications. Weak knowledge exchange and co-creation persist due to a lack of incentives for academia-business connections while the absence of systematic STI-related data complicates policy design and monitoring.
- To address informality and broaden the **tax** base, Albania could enact comprehensive tax policy reforms. Its tax-to-GDP ratio of 25.6%, well below Western Balkan and OECD averages, offers little incentive for small business formalisation. Reforms might integrate social security contributions (SSCs) into presumptive tax regimes, reduce compliance costs, aid low-income self-employed workers, and adjust high value-added tax (VAT) registration thresholds to increase revenue.
- Albania's **transport** sector has primarily focused on road infrastructure investment, leaving other modes of transport underdeveloped. Rail infrastructure investment from 2019 to 2022 accounted for only 0.09% of GDP, well below EU and OECD levels. Upgrading rail infrastructure are crucial for safety, export efficiency, and regional connectivity.

## Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-

oriented policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

