



The ability of economic reforms to improve Albania's chances of joining the European Union by 2027

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Abstract:

This study addresses the effect of economic reforms in Albania on the probability of its accession to the European Union by 2027. It reviewed progress in areas such as improving the business environment, combating corruption, strengthening the judiciary, and ensuring financial stability while highlighting ongoing challenges such as the informal economy and youth unemployment. The study concluded that commitment to implementing structural reforms and enhancing good governance will improve Albania's chances of joining the union by the targeted date. The study proposed strategic recommendations to strengthen Albania's negotiating position and support its chances of achieving EU membership, including expediting the legislation to grant Albanian citizenship to foreign investors, developing a medical tourism program, and other recommendations.

Keywords: Albania, 2027, European Union, Economic Reforms, European Commission reports, Creative projects.

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1. Introduction

Economic reforms in Albania are considered pivotal in enhancing the chances of joining the European Union. This study discusses the effectiveness of these reforms and their capacity to prepare Albania for EU membership, in addition to evaluating the government's commitment to implementing European norms. 2027 is a crucial date, as Albania seeks to achieve this ambition through continuous adherence to the required reforms.

1.1 Significance of the study :

This study gains special significance in terms of the following:

- Highlighting the impact of economic reforms on the integration process between Albania and the European Union.
- Providing actionable recommendations to the Albanian government, enhances the chances of achieving European Union membership by improving the business environment and strengthening governance.

1.2 The study problem :

Albania has undertaken significant economic reforms in recent years to align its economy with the European Union (EU) standards, aiming to secure membership by 2027. These reforms include structural adjustments, fiscal policies, legal harmonization, and institutional improvements designed to meet the EU accession criteria. However, despite these efforts, questions remain regarding the effectiveness of these reforms in fulfilling the economic benchmarks required for membership.

The main problem is assessing whether these economic reforms have substantially improved Albania's economic stability, competitiveness, and compliance with EU regulations. Moreover, corruption, weak institutional frameworks, and socio-economic disparities may hinder

Albania's progress toward EU integration. The study will answer the main question: What is the capacity of the economic reforms executed by Albania to join the European Union by 2027?

Several sub-questions arise from this question :

- What economic reforms has Albania implemented to achieve financial stability and economic growth?
- What are the prospects for economic reform in Albania?
- What recommendations will the researchers provide to enhance Albania's chances of joining the European Union?

1.3 Study objectives :

The study aims to achieve the following objectives :

- The effectiveness of the economic reforms implemented by Albania in achieving financial stability and economic growth should be increased.
- Analysis of Albanian reform prospects.
- Providing recommendations to enhance Albania's chances of joining the European Union.

1.4 Study methodology :

To meet the study's objectives, the following curricula were adopted:

- The descriptive-analytical approach aims to understand the nature of reform and its alignment with European norms.
- Case study approach: An analysis of Albania's experience as a candidate country for EU membership.
- Qualitative and quantitative data analysis: Analysis of qualitative and quantitative data: international reports such as those from the European Union, World Bank, and International Monetary Fund.

2 . Literature review :

This section offers a critical summary of the most significant research on Albania's economic reforms, organised into three primary areas:

2.1 The impact of structural enhancements on economic advancement is substantial :

European Commission reports such as **Key Findings of 2019** (29/5/2019); **Key Findings of 2023** (8/11/2023); **Commission Staff Working Document Albania 2024** (30/10/2024); **Albania: Staff Concluding Statement of 2024** (26/11/2024) and **Albania: 2023 Article IV Consultation-Press** (January 2024). highlighted the reform agenda in Albania, which aims to improve governance and develop key sectors such as education and health. The reports emphasized that success in implementing these reforms is crucial for aligning with EU norms.

2.2. The European Commission has assessed the reforms:

European Commission reports such as **Key Findings of 2019** (29/5/2019); **Key Findings of 2023** (8/11/2023); **Commission Staff Working Document Albania 2024** (30/10/2024); **Albania: Staff Concluding Statement of 2024** (26/11/2024) and **Albania: 2023 Article IV Consultation-Press** (January 2024). highlighted the reform agenda in Albania, which aims to improve governance and develop key sectors such as education and health. The reports emphasized that success in implementing these reforms is crucial for aligning with EU norms.

2.3 Economic Prospects and Future Obstacles:

Albania can achieve long-term economic growth by continuing reforms that enhance the business and infrastructure sectors, as per research conducted by **Krasniqi** (2014) and Berhani and **Ryskulov** (April 2014). Nevertheless, reform objectives are at risk owing to

global political and economic changes. Furthermore, **Dhamo & Dhamo** (April 2024) contended that financial stability alone is insufficient and must be accompanied by firmer governance and adherence to European Union norms.

Providing a scientific framework for analysing the impact of economic reforms on Albania's prospects for joining the European Union, this comprehensive critical evaluation of prior research highlights the positive developments and challenges that the country has encountered.

3. The progress made in Albanian economic reforms :

Albania underwent a radical transformation following the collapse of the communist regime, adopting free market policies and focusing on strengthening its international relations by joining major organizations such as the Council of Europe and the International Monetary Fund. It also sought to integrate into the European Union and NATO. Economically, the situation improved by the mid-1990s with the settlement of external debts amounting to 500 million dollars, giving the economy a strong boost. However, the rapid transition without adequate preparations has led to structural challenges, most notably the development of informal institutions and the impact of pyramid schemes on the economy. Albania also faced difficulties related to corruption, weak infrastructure, and adaptation to EU norms. (**Memaj**, 2017)

The achievements realized in the Albanian economic reforms included the following :

3.1 Progress in Legal and Institutional Reforms :

Albania has made significant progress in updating its legislation, aiming to align its legal system with the EU's achievements of the European Union. These efforts included key areas such as justice, security, human rights, the environment, and the economy. (**Key**

findings of 2023 Report on Albania, 8/11/2023; Commission Staff Working Document Albania 2024, 30/10/2024)

- **Justice sector:** Legislation has been adopted to enhance judicial independence and combat corruption, with laws such as the Judiciary Law and Penal Code undergoing comprehensive reviews in line with European norms.
- **Fundamental rights:** Albania has adopted legislation to combat discrimination, focusing on promoting social inclusion and gender equality and complying with the human rights principles recognized in the European Union.

3.2 Economic reforms are progressing :

3.2.1 Improving the business environment :

The adoption of the Competition Law in 2013 is a prominent example of Albania's efforts to align its economic policies with those of the European Union. This law has enhanced transparency and competitiveness in the internal market, which is essential for meeting the union's economic norms. Despite progress in reforms, Albania still faces challenges in actual implementation, particularly in terms of human rights and democratic institutions, enhancing transparency and accountability in government institutions, and ensuring the fair and uniform application of new laws. **(Key findings of 2022 Report on Albania, 12/10/2022)**

3.2 2 Encouraging foreign investment :

Although Albania witnessed a significant increase in foreign direct investment flows during the first two decades of the 21st century, surpassing the average of transition economies, these flows have remained relatively stable since 2015, with the stock of foreign direct investment in 2022 reaching approximately 60.3%. **(Dabrowski & Léry Moffat, July 2024)**

The Albanian government should enhance the oversight of banks and non-banking institutions to ensure resilience and integrity while implementing the Bank of Albania amendments to the regulatory frameworks. Data collection and risk monitoring in the nonbanking sector, such as insurance and investment funds, should be strengthened through institutional cooperation via the Financial Stability Consultative Group. **(Albania: Staff Concluding Statement of 2024, 26/11/2024)**

3.2.3 Enhancing Trade Openness in Albania:

Albania has made significant efforts to improve trade openness as an element of its EU procurement measures. According to the European Commission, the Stabilisation and Association Agreement (SAA), signed in 2006 and implemented in 2009, has maintained Albania's economic and political associations with the EU by aligning its approaches with European standards. Further, the government's participation in the Central European Free Trade Agreement (CEFTA) has encouraged regional economic integration, with Albania executing various trade facilitation and service protocols, as documented by the CEFTA Secretariat (CEFTA). Similarly, WTO reports demonstrate that since joining in 2000, Albania has progressively released trade barriers and reduced tariffs, promoting a more open trade environment (WTO). These measures, along with Albania's engagement in regional free trade agreements, have supported its trade approaches and arranged the country **for deeper economic cooperation with the EU and global markets. (For more details; Stabilisation and Association Agreement between the European Communities and their Member States, 28/04/2009; EU trade relations with the Western Balkans; Benefits of CEFTA additional protocol 6, 27/5/2022; CEFTA Free Trade Agreement on South Eastern Balkans).**

3.2.4 Development in various economic sectors:

Albania has witnessed radical economic transformations, necessitating the implementation of comprehensive reforms across various sectors to increase growth, achieve stability, and facilitate integration into the global economic system.

3.2.4.1 Agriculture sector:

In 2024, Albania partially implemented the European Commission's recommendations, but it needed to fulfill the prerequisites related to the budget implementation mandate under the IPARD III Programme while ensuring full compliance with the EU acquis, especially regarding quality policy and organic production. (**Commission Staff Working Document Albania 2024**, 30/10/2024)

3.2.4.2 Energy sector:

Albania has made significant progress in the local electricity market; however, it needs to update and implement the National Energy and Climate Plan 2020-2030 (NECP) and ensure the operation of the Albanian renewable energy operator. Albania should continue to implement the electricity integration package and join the EU's day-ahead market coupling by June 2026. (**Commission Staff Working Document Albania 2024**, 30/10/2024) .

Improving the infrastructure in Albania is necessary to enhance connectivity and exploit local energy. Despite the initiation of projects such as a new airport and a tourist port, the transportation network still lags behind EU norms. Albania's energy production relies on clean hydropower; however, it is prone to drought, necessitating the diversification of renewable energy sources to improve energy security. Therefore, adequate resources and monitoring mechanisms should be allocated to ensure reliable results. (**Albania: Staff Concluding Statement of 2024**, 26/11/2024).

Therefore, Albania needs to invest \$ 6 billion over the next decade to enhance its resilience against climate change risks, such as floods, wildfires, and landslides, where economic damages could reach 7% of GDP without proactive measures. These investments can contribute to achieving inclusive economic development and accelerating the transition to net-zero energy by 2050 through renewable energy technologies such as hydropower, wind, solar, and biomass, thereby enhancing energy diversification, improving efficiency, and reducing reliance on imports. (**Western Balkans 6 Albania Country Compendium**, October 2024).

3.2.4.3 The Industrial sector:

Albania enjoys a medium to good level of readiness in project and industry policy and has made notable progress in implementing innovative startup support programs. However, efforts should continue to address the challenges facing the business environment, such as reducing the regulatory burden, increasing the participation of companies in funding programs, and curbing the informal economy and corruption. (**Commission Staff Working Document Albania 2024**, 30/10/2024)

The current Albanian government is diligently striving to ensure that successful companies and emerging institutions contribute to the creation of added value within the production chain. Manufacturing institutions will no longer be limited to the active processing system of international brands; instead, they will move to the level of the full production cycle and promote the "Made in Albania" brand, enabling them to compete globally. (**Programi Qeverises 2021-2025**: 7)

3.2.4.4 The Tourism Sector:

The tourism sector has become one of the most prosperous sectors in Albania, leading to an increase in service exports, whereas goods exports have declined due to reduced demand from the Eurozone and falling raw material prices. Nevertheless, the sector faces challenges in

international marketing and a lack of infrastructure in some remote areas. **(Albania is expected to record economic growth of 3.8 percent in 2025)**

3.2.4.5 Reforms in the financial and banking sector:

These reforms resulted in the following:

- Reform of the banking and tax system:

The restructuring of the banking system was at the center of financial reforms in Albania, where the central Bank implemented Monetary policies aimed at stabilizing the local currency and reducing inflation, in addition to privatizing state-owned banks, opening the banking sector to foreign investments, and enhancing financial oversight and supervision. **(Annual Report 2000**, Bank of Albania, March 2001; **Commission Staff Working Document Albania 2024**, 30/10/2024). Albania managed to reduce external debt to 48.7% of GDP in 2024 compared to 51.5% in 2023, indicating an improvement in macroeconomic stability. **(Albania: 2023 Article IV Consultation-Press**, January 2024)

Table 1: External Albanian debt (% GDP)

Albanian External debt (% GDP)	2020	2021	2022	2023	2024
	64.2	64.3	54.3	51.5	48.7

Source: **(Albania: 2023 Article IV Consultation-Press**, January 2024).

Albania has developed a new tax system aimed at improving revenues and stimulating investment, and has made limited progress in 2024 by abolishing industrial incentives, which led to its exclusion from the list of harmful tax regimes. However, a medium-term revenue strategy that includes reducing tax exemptions and aligning VAT and customs duties with EU norms, in addition to being prepared for integration

with EU tax IT systems, is needed. (**Commission Staff Working Document Albania 2024**, 30/10/2024)

3.2.4.6 Enhancing financial governance:

Albania launched comprehensive financial reforms under the supervision of the International Monetary Fund, which included reducing the financial deficit, improving public revenue management, and enhancing transparency in financial institutions. The country was chosen to implement the shock therapy model, which focuses on the rapid and comprehensive privatization of public ownership. It is essential to strengthen the legal framework in Albania to combat corruption and to enhance the rule of law. The Albanian government has developed new legislation aimed at improving transparency and achieving justice in economic operations, in line with European Union norms. (**Çuçi, 2014; Commission Staff Working Document Albania 2024**, 30/10/2024)

Challenges related to democratic governance continue, such as ensuring the judiciary's complete independence, effectively combating corruption, and improving the political atmosphere to reduce internal polarization. Albania also faces challenges related to media freedom, including the protection of journalists and the promotion of media independence. (**Key findings of the 2021 Report on Albania**, 19/10/2021)

3.2.4.7 Developments in Reforms Related to European Integration:

EU membership is an incentive to encourage political reforms and to enhance EU conditions. Thus, the prospect of Albania joining the European Union has supported local political and economic reforms (**Elbasani**, June 2004). Therefore, the Albanian parliament approved a limited constitutional extension of the mandate of the vetting bodies and agreed to nine new laws to align with the EU acquis. The government focused on improving the coordination structure with the

European Union, but achieving tangible progress requires involving the opposition and various segments of society to support the reform agenda. (**Key findings of 2022 Report on Albania**, 12/10/2022)

Albania committed to the Copenhagen criteria, established during the Copenhagen Summit in 1993, where a set of conditions that candidate countries must meet to become members of the European Union were defined. These include political and economic criteria, as well as the capacity to fulfill membership obligations (**Key findings of the 2021 Report on Albania**, 19/10/2021; **Commission staff working document Albania 2013**, 16/10/2013; **Progress towards meeting the economic criteria for EU accession**, Dec. 2016). Therefore, the Albanian economy emerged in 2024 as one of the strongest-performing economies in the Western Balkans region. The increasing role of tourism has contributed to increasing confidence in the country's prospects, which is partially reflected in the continued appreciation of the local lek. (**Albania: 2023 Article IV Consultation-Press**, January 2024)

4. The challenges facing economic reforms in Albania:

Albania faces numerous challenges in overcoming economic reforms, including the following:

4.1 The informal economy:

The informal economy is a significant obstacle to improving the business environment in Albania, particularly in the private sector. The business environment in Albania faces structural challenges, as the development of the private sector remains below expectations. Measures aimed at improving the business environment lack effective political tools and a strategic approach. The lack of business knowledge, low financial literacy, and a high percentage of the informal economy pose obstacles to accessing financing, especially for small and microenterprises. Moreover, business support services remain insufficient, particularly in areas such as facilitating exports,

assisting in obtaining financing, and enhancing entrepreneurial knowledge. **(Commission Staff Working Document Economic Reform Programme of Albania (2021-2023), 22/4/2021)**

Albania has undertaken a series of structural reforms to strengthen the national economy, modernize many government institutions, and enhance the role of the private sector. The government has also opened the market to competition, emphasizing the importance of financial institutions in supporting the growth of the private sector (Çuçi, 2014). The Albanian economy has been characterized by high growth, low inflation rates, and improvements in the implementation of structural reforms, in addition to the continued liberalization of the economy, privatization, and an increase in foreign direct investment. In light of these results, the European Commission has provided a positive assessment of Albania's economic policy and overall stability. On this basis, the European Commission recommended granting Albania candidate status for EU membership in October 2013, indicating that integration into the EU would have a positive impact on Albanian society. **(Key findings of 2012 Progress Report on Albania, 10/10/2012)**

It is essential to adopt a comprehensive strategy to increase productivity growth in Albania by improving access for SME's to financing, supporting investment in technology and research, and creating innovation networks. Education and vocational training programs should be updated to meet labor market needs, the digital agenda should be enhanced, and childcare facilities should be expanded to increase workforce participation and achieve sustainable growth. **(Albania: Staff Concluding Statement of 2024, 26/11/2024)**

Moreover, Albanian companies, especially small ones that make up the majority of the market, are expected to face increasing challenges due to intensified competition, which could lead to their failure. In this context, Albania has not yet implemented the European Commission's recommendations for 2024. It must complete a review of the current

legislation in the field of company law and identify the necessary amendments to ensure full compliance with the EU acquis. This includes progress in introducing amendments related to the use of digital tools, cross-border transfers, mergers and divisions, and encouraging long-term shareholder engagement. **(Commission Staff Working Document Albania 2024, 30/10/2024)**

4.2 Unemployment:

Albania needs to develop training and qualification programs to increase the skills of young people, who see an increase in employment rates in 2023, and this trend is expected to continue at a more moderate pace from 2024 to 2026. The unemployment rate is also expected to decrease further during this period. However, despite the improvements that have occurred, migration remains an issue that affects the labor market. **(Albania is expected to record economic growth of 3.8 percent in 2025)**

4.3 Corruption:

Corruption rates in Albania remain high, hindering investment attraction. The Corruption Perceptions Index issued by Transparency International shows that Albania's ranking fluctuated between 2015 and 2022, ranging from 88 to 101. However, it improved slightly in 2023, reaching the 98th position on a scale ranging from 0 (very corrupt) to 10 (slightly corrupt).

Table 2: Comparative Indicators of Corruption in Albania

Albania	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rank	88	87	91	99	106	104	110	101	98
Score	(36)	(39)	(38)	(36)	(35)	(36)	(35)	(36)	(37)

Source: (Transparency International, Corruption Index 2015-2023).

However, the implementation of merit-based employment provisions in the public sector remains inconsistent, particularly at the senior management level. Moreover, developments in the digitization of

public services require equitable access, especially for citizens with limited technological skills. **(Key findings of 2023 Report on Albania, 8/11/2023).**

Albania faces significant challenges in strengthening the rule of law. According to the 2024 report by the American nongovernmental organization Freedom House, Albania was classified among the hybrid regime countries, maintaining a score of 3.79 on the Democracy index, on a scale from 1 (highest) to 7 (lowest). This reflects ongoing challenges in democratic governance.

Table 3. Freedom House, Nations in Transit, The Democracy score (2015–2024)

Albania	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Score	3.86	3.86	3.86	3.89	3.89	3.89	3.75	3.75	3.75-3.79	3.79

Source: (Transparency International, Corruption Index 2015-2023).

The table shows that the level of democracy in Albania has fluctuated between 2015 and 2024, with ups and downs. It ranged between 3.86 and 3.89 from 2015 to 2020, but it declined from 2021 to 2024, with values ranging between 3.75 and 3.79.

5. The Future of Albanian Reforms:

Albania continues to implement comprehensive reforms aimed at meeting European Union norms, especially in the field of justice, to ensure the independence and impartiality of the judiciary. These reforms include reviewing laws related to the judicial system, establishing independent anti-corruption bodies, and ensuring the protection of human rights. Stricter monitoring mechanisms have also been implemented to increase transparency and accountability in the public sector, in addition to introducing anticorruption measures at all levels, including the private sector. **(Dhamo & Dhamo, April 2024)**

In its current program (2021-2025), the Albanian government seeks to achieve strategic objectives, including (**Programi Qeverises 2021-2025: 7-8**)

- ✓ This makes Albania a regional hub for digital initiatives to provide job opportunities for young people.
- ✓ Enhancing Albania's status as a leading regional and European tourist destination.
- ✓ Improving agricultural production and increasing exports by enhancing quality and obtaining standard certifications.
- ✓ Investing in road and airport networks to support mobility and tourism.
- ✓ Achieving self-sufficiency in electricity production by relying on solar and wind energy.
- ✓ Updating digital infrastructure to improve service quality and combat corruption.

As a practical step, Kukes International Airport was opened northeast of Tirana with Emirati funding, and work is underway on Flora International Airport southwest of the capital with funding from a Swiss company consortium led by Behgjet Pacolli. Albania also plans to establish an airport in Saranda in the far south of Albania to support the economy and increase its chances of joining the European Union. (**Albania signs 104-million-euro deal to build a new airport, 20/4/2021**)

5.1 Economic growth and prospects:

The World Bank expects Albania's economic growth to continue improving during the 2024-2025 period, with estimates indicating a growth rate of 3.3% in 2024 and 3.7% in 2025, driven by accelerated government reforms and an improved business climate. Inflation is also expected to gradually decrease to the Albanian central Bank target of 3% by 2025. (**Albania's Economic Growth Stays Strong, 17/10/2024; Albania's GDP Growth to Slow Down in 2025, 16/11/2024**)

Table 4: Albania Outlook, 2021-2026

Albania's Real GDP growth	2021	2022	2023	2024	2025	2026
(percent)	8.9	4.9	3.4	3.3	3.4	3.4
Percentage differences from Spring 2024 projections				0.0	0.0	-0.1

Source: (Real GDP growth at market prices in percent) World Bank Group.

The International Monetary Fund's (IMF) expectations align with those of the World Bank for the same period, as the latter indicated that Albania's real GDP achieved a growth of 3.4% until April 2024 and is expected to reach 3.6% by the end of 2024. The inflation rate during the same period was 2.4%, and it is expected to decrease to 2% by the end of 2024, which is below the target set by the Bank of Albania at 3% (**IMF DataMapper**, April 2024; **Albania: Staff Concluding Statement of 2024**, 26/11/2024). The inflation rate in September 2024 decreased to 1.9%, leading to a slowdown in the pace of price increases in Albania. (**Inflation in Albania has dropped to 1.9%**, 8/10/2024)

According to the Global Innovation Index 2023, which ranks the world's economies based on their innovation capabilities, Albania ranks 83rd with a score of 25.4 (**Global Innovation Index 2023**, 2023). However, it slightly dropped to 84th place with a score of 24.5 in the 2024 index (**Global Innovation Index 2024**, 2024). Albania ranked 84th in 2022 with a score of 24.4 and held the same position in 2021 with a score of 28.0. This indicates that Albania's position has not changed over the past four years and that it has not made any significant progress.

Table 5: Global Innovation Index (2023-2024)

Albania	2021	2022	2023	2024
Rank	84	84	83	84
Score	(28.0)	(24.4)	(25.4)	(24.5)

Source: World Intellectual Property Organization (WIPO).

Owing to its well-considered macroeconomic policies, the International Monetary Fund expects the Albanian economy to experience rapid growth in Europe by 2024. (**IMF DataMspper**, April 2024; **Albania: Staff Concluding Statement of 2024**, 26/11/2024)

5.2 The vision of joining the European Union:

Eurobarometer surveys have shown that 39% of Albanians expect their country to join the European Union by 2025, whereas 40% believe this accession will occur by 2030. However, future expectations remain contingent on the speed of political and economic reforms and the continued public support for this process. (**Domachowska**, 2021)

Albania is expected to continue enhancing political and economic reforms during the period 2025-2027, to achieve a higher level of integration with the European Union. The success of this path requires close cooperation among the Albanian government, civil society, and economic institutions, which enhances the chances of an official announcement of its accession by 2027.

6. Conclusions :

The study revealed that Albania has made significant progress, which cannot be underestimated in several areas such as the following;

6.1 Legal and institutional reforms:

Multiple reforms have been implemented in the legislative framework to align with European Union norms, including judicial reforms, anticorruption measures, updates to economic legislation, and the promotion of human rights, reflecting Albania's commitment to European values and the development of democracy. However, challenges persist, most notably rampant corruption, inefficiency of the judicial system, and organized crime. The next phase required strengthening judicial independence, improving governance, and enforcing laws more rigorously. Regional cooperation and constructive engagement with EU institutions are considered essential factors for enhancing progress and achieving economic and political stability in the Western Balkans. (**Dhamo & Dhamo**, April 2024; **Commission Staff Working Document Albania 2024**, 30/10/2024)

6.2 Economic reforms and European integration:

Integration into the EU market is an opportunity to modernize the Albanian economy and enhance its competitiveness as follows:

- 6.2.1 Improving the efficiency of local companies**, contributes to the enhancement of technology and the flow of capital, leading to increased productivity and improved Albanian consumer welfare due to lower prices.
- 6.2.2 Foreign direct investment**, contributed to enhancing the credibility of the Albanian economy and provided additional financial support to achieve stability and development in the country. (**Berhani & Ryskulov**, April 2014: 295-296)
- 6.2.3** The studied migration of Albanian labor has contributed to improving economic conditions through financial remittances and the return of skilled migrants, in addition to enhancing the educational skills of local workers. (**Albania's Economic Growth Stays Strong**, 17/10/2024)

6.2.4 Decrease in unemployment rates: The labor market in Albania has seen notable improvement with a decline in unemployment rates and an increase in job opportunities. The World Bank has recommended the development of digital tools to improve migration management and ensure the protection of migrants' rights. **(Albania's Economic Growth Stays Strong, 17/10/2024)**

6.2.5 The inflation rate has decreased due to the stability of food and nonalcoholic beverage prices, in addition to the stability of rental and energy prices. **(Inflation in Albania has dropped to 1.9%, 8/10/2024)**

6.3 Strong financial performance amid ongoing challenges:

The Albanian economy witnessed notable improvement in financial performance in terms of the following:

6.3.1 The government deficit decreased to 1.3% of the GDP in 2023, whereas revenues increased by 10% during the first nine months of 2024. However, the informal economy still poses a barrier to improving the business environment. **(Albania is expected to record economic growth of 3.8 percent in 2025)**

6.3.2 The investment climate in Albania has improved as a result of these reforms, encouraging the attraction of more foreign direct investments.

6.3.3 An increase in sustainable economic growth in recent years, indicates a positive impact of economic reforms.

6.4 Prospects of joining the European Union:

Despite Albania's ambition to join the European Union by 2027, this step remains uncertain. Prime Minister Edi Rama indicated the possibility of delaying the achievement of this goal by 2030, reflecting concerns about the timely implementation of the required reforms.

Albania has a moderate level of readiness to face competitive pressures within the European Union and has made significant progress in this area. Transportation infrastructure has improved, but significant gaps still exist. The digitization and education sectors require further improvement. Simultaneously, service exports, particularly tourism, have increased, whereas goods exports remain below their potential. Economic and social challenges, such as high unemployment rates and a large informal economy, remain barriers to achieving this goal. However, improvements in financial performance, increased investment, and overall stability are positive signals that support the path to accession. **(Commission Staff Working Document Albania 2024, 30/10/2024)**

Demographic developments indicate that medium-term growth has increasingly relied on productivity gains. However, despite recent increases in overall growth, labor productivity and total factor productivity remain much lower than the EU levels. Therefore, maximizing gains from the EU accession process will depend on the successful implementation of an ambitious reform agenda to address productivity bottlenecks. **(Commission Staff Working Document Albania 2024, 30/10/2024)**

Based on these conclusions, it is clear that the main challenge facing Albania's path to EU membership lies in the legal and institutional reforms that must be swiftly addressed. Moreover, Albania has achieved notable accomplishments in its economic reforms and has improved its financial performance. Therefore, the Albanian government should work hard on its economic reforms over the next two years to encourage the European Union to decide on its membership before the annual European report is issued in October 2027.

7. Recommendations:

The recommendations that may contribute to enhancing economic and financial stability in Albania and accelerating the process of joining the European Union in 2027 include the following:

- 7.1 **Economic reforms should continue**, as they should be pursued to improve the business environment and enhance sustainable financial growth by improving the quality of public spending and increasing government revenues through better tax collection and combating tax evasion, and corruption. These reforms can enhance Albania's attractiveness for foreign investment and increase its chances of joining the European Union by 2027.
- 7.2 **Improving the quality of governance and combating corruption** by implementing strict policies and procedures to ensure transparency and accountability.
- 7.3 **Enhancing support for regional cooperation** by improving Albanian economic and trade cooperation with neighboring European countries to develop the economy and strengthen regional stability.
- 7.4 **There is increasing interest in international trade cooperation**; by signing trade agreements to increase Albanian exports to global markets, with a focus on Arab markets, China, and South American countries that lack sufficient attention.
- 7.5 **The economy can be diversified** by reducing reliance on traditional sectors such as agriculture and supporting emerging sectors such as renewable energy and ecotourism. This diversification reduces economic risk and enables Albania to adopt economic models similar to those of European countries. Therefore, we recommend the following:
 - 7.5.1 Continuing to formulate a national strategy for a green economy in Albania can enhance resource and renewable energy efficiency, support sustainable growth, and

increase investment. Owing to its Mediterranean climate and extended sunshine periods, Albania can increase its reliance on solar and wind energy, thereby reducing its dependence on hydropower and alleviating financial burdens.

- 7.5.2 Supporting startups in rural and urban areas through flexible loans and financial consultations enhances innovation, creates new jobs, and increases competitiveness, with a focus on investing in remote areas to achieve sustainable development and reduce unemployment.
- 7.5.3 Attracting citizens of neighboring countries who are deprived of seaside views for tourism in Albanian coastal cities through facilities and discounts, and intensifying advertising to attract tourists from Northern Europe, Canada, and Russia to benefit from mild weather and low living costs compared to competing countries such as Turkey, Greece, and Italy.
- 7.5.4 The development of economics departments at Albanian universities, to keep pace with global economic development in economically advanced countries, in addition to attracting foreign students, could provide Albania with new revenues, enhance the economic environment, and increase the likelihood of Albania joining the European Union.
- 7.5.5 Organizing competitions and awarding prizes to stimulate economic innovation, encouraging companies and individuals to present creative and innovative solutions to improve the economy, infrastructure, public services, and sustainable development.
- 7.5.6 Honoring individuals who provide valuable services in the development of Albania contributes to strengthening the bonds between the state and citizens, which enhances

public awareness and encourages others to contribute positively to society and the economy.

- 7.5.7 A strategic center for economic policies aimed at providing guidance and support to decision-makers and developing and implementing effective and sustainable economic reforms should be established.

7.6 Encouraging foreign investment: Simplifying administrative procedures and enhancing transparency to attract foreign investors;

- 7.6.1 Accelerating the adoption of a law granting Albanian citizenship to foreign investors under specific conditions is a strategic step in stimulating foreign capital flows and enhancing economic growth and development in the country, similar to some European countries. This step is particularly important given the ongoing phenomenon of migration in Albania, necessitating the attraction of promising human resources to support the national economy. According to estimates, if approximately 100,000 foreign investors obtain Albanian citizenship for 200,000 euros each, the state treasury could achieve a return of approximately 20 billion euros, providing a strong boost to the Albanian economy and contributing to the improvement of infrastructure and enhancement of public services.
- 7.6.2 Modifying and facilitating foreign investment laws, to encourage foreign businessmen to establish vital projects in Albania, especially in uninhabited areas, to develop and revive them, and create job opportunities for unemployed youth of both genders.
- 7.6.3 Enhancing economic relations with Gulf Arab countries, China, and Japan can attract foreign investments in projects and infrastructure, provide job opportunities for Albanian labor, reduce unemployment, and support the economy through remittances in foreign currencies.

7.7 **Educational reforms**, through the establishment of financial literacy centers and the promotion of entrepreneurship, involve the alignment of technical education and curricula with labor market requirements, and a focus on technology and foreign languages. This aims to improve professional competencies and attract foreign investments, thereby enhancing economic development.

7.8 **The development of a medical tourism program in Albania** will boost the economy by attracting foreign patients, benefiting from the natural resources that Albania boasts, such as warm mineral waters, and by improving the infrastructure of spas and hot public baths. However, this requires international marketing, partnerships with travel agencies and health insurance companies, and increasing the efficiency of health and tourism staff in providing high-quality services that meet international norms. Enhancing medical tourism can make it a cornerstone of the Albanian economy, boosting international competitiveness and providing job opportunities in various sectors, provided the government adheres to high-quality and safety standards.

Albanian policymakers should assess each proposal's potential benefits and costs to determine their suitability for local conditions. Implementing these recommendations requires a strong commitment from the Albanian government, continued cooperation with the European Union, and active participation from civil society to ensure effective reform execution. This will enhance Albania's chances of joining the European Union by 2027. If successfully implemented, these reforms could drive economic progress, positioning Albania as a strong competitor to the Asian tiger economies, whose economic foundations are not necessarily stronger than Albania'.

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