

Competitiveness in South East Europe 2021

A Policy Outlook

Albania



Albania has improved its performance in 10 out of 15 policy areas scored in this assessment. Although this clearly indicates progress in the setting up of policies to enhance its competitiveness – at least in two-thirds of the policy areas covered in this assessment – if they are to have a lasting impact then their effective and continuous implementation, monitoring and upgrading should remain a key priority.

Key facts (2020)



GDP growth:

-3.3%



Unemployment:

12.2%
of 15-64 year-olds



Exports of goods and services:

23.3%
of GDP



Net FDI:

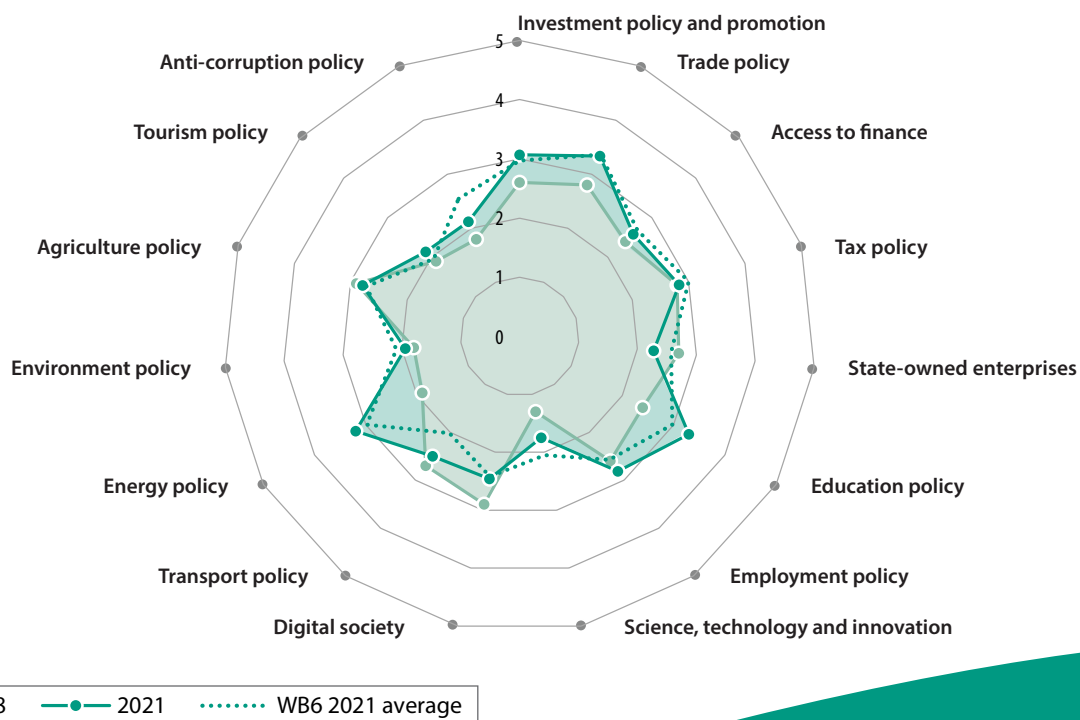
7.3%
of GDP



Personal remittances received:

9.9%
of GDP

Albania's Competitiveness Outlook performance (2018 and 2021)



Main achievements



According to the OECD FDI Regulatory Restrictiveness Index, Albania is less restrictive to FDI than the average OECD economy.



The OECD Services Trade Restrictiveness Index (STRI) analysis shows that Albania is one of the least restrictive economies in the WB6 for trade in services in sectors such as air transport, legal services and telecommunications.



In August 2019, Albania became a member of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and in September 2020, it ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS.



Albania has been one of the fastest-improving participants in the OECD Programme for International Student Assessment (PISA), although it still scores significantly below the EU and OECD averages.



The women's employment rate increased by 9 percentage points since 2015, and at 54.4% in 2019 was the highest of the WB6 economies.

Main priorities



Albania is one of the economies in Europe most at risk for multiple natural hazards. It would benefit from an all-inclusive land-use policy framework to provide clear direction, focusing on modernising building codes, updating seismic hazard maps and combatting unregulated and illegal building.



With public spending on research and development amounting to only 0.06% of GDP in 2018, the public scientific research sector remains underfunded. Investment in the scientific research system would make the profession more attractive, leading to higher-quality research outputs.



The development of digital skills is not yet fully integrated into VET systems or lifelong learning programmes. IT curricula should be designed with the support of the ICT sector to improve digital skill levels. Training programmes and lifelong learning policy frameworks should be guided by the need to address the digital skills gap in the labour market.



While the regulatory framework for factoring and leasing is in place, the financial sector remains bank-dominated (90% of financial sector assets, considerably more than in the euro area around 45%). Diversifying financing sources would provide funding to firms from outside of the traditional lending schemes.

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The third edition of *Competitiveness in South East Europe: A Policy Outlook* comprehensively assesses policy reforms in the WB6 economies across 16 policy dimensions crucial to their competitiveness. It leverages a highly participatory assessment process, which brought together the views of OECD experts, WB6 policy makers and local non-governmental stakeholders to create a balanced and realistic depiction of their performance. The report seeks to provide WB6 policy makers with a multi-dimensional benchmarking tool, enabling them to compare performance against regional peers as well as OECD good practices, and to design future policies based on rich evidence and actionable policy recommendations. Economy-specific profiles complement the regional assessment and provide each WB6 economy with an in-depth analysis of their competitive potential as well as policy recommendations tailored to their specific challenges to inform their structural economic reforms and sustainable development agenda.

