

The World Bank in Albania

Country Snapshot



An overview of the World Bank's work in Albania

April 2020

ALBANIA	2019
Population, million	2.9
GDP, current US\$ billion	15.8
GDP per capita, current US\$	5,448
Life Expectancy at birth, years (2018)	78.2

At a Glance

- Albania's economic transformation during the past decades has worked to build on the country's huge potential and opportunities. However, the growth model needs to adapt to the new global and local economic realities and shift from consumption-fueled to investment- and export-led growth. The new model will also need to help those with less access to economic opportunities to contribute to, and benefit from, economic growth.
- The country's main challenges are the emergency and reconstruction responses to the COVID-19 pandemic and November 2019 earthquake and the need to address the socioeconomic impact of these events on vulnerable groups and small and medium enterprises. Other challenges include maintaining macro-fiscal and financial sector sustainability, improving the investment climate and unleashing private sector growth, removing barriers to employment for job creation, and improving governance and public service delivery.
- A set of reforms initiated in recent years has been addressing some of these challenges. It is important that reforms and long-term governance and institutional improvements be continued or strengthened. The European Union's decision on March 24, 2020, to open accession talks with Albania is an important signal in this direction.
- The World Bank Group is supporting critical sectors, such as energy, the environment, water, irrigation, transport, health, social assistance, disability reform, and gender, strengthening institutions across these sectors as well as other areas. Given the unprecedented challenges brought about by COVID-19 and the recent earthquake, the Bank is mobilizing to respond through emergency-specific operations or reallocations from the existing portfolio.

Country Context

Albania is implementing important structural reforms that will support equitable growth, raise productivity and competitiveness in the economy, create more jobs, and improve governance and public service delivery.

Enhanced regional connectivity and access to regional and global markets, coupled with export and market diversification, can also help promote faster growth.

In addition, the Government of Albania has been working on a broad-based reform program focused on macroeconomic and fiscal sustainability, financial sector stabilization, energy concerns, social assistance and disability reform, and territorial decentralization.

Albania was hit by a devastating earthquake on November 26, 2019. In response, a donors conference was organized in Brussels in February 2020 to mobilize financial support for Albania, and countries and international financial institutions pledged roughly €1 billion.

In the midst of these reconstruction efforts, the COVID-19 crisis puts more pressure on the Government's budget and response.

The World Bank and other partners are cooperating to support the Government in overcoming these challenges and implementing the country's longer-term development goals.

The World Bank and Albania

The current World Bank Group program in Albania is guided by the Country Partnership Framework (CPF) for FY15–20, which provides analysis, advice, and financing in support of equitable growth in Albania and integration into the European Union (EU). The CPF, which closes this year, is focused on three main areas:

- restoring macroeconomic balances
- creating conditions for accelerated private sector growth
- strengthening public sector management and service delivery

Approximately 80 percent of the program has already been delivered. The ongoing portfolio is supporting the Government's main priorities and is also being adjusted to respond to the November earthquake and the COVID-19 pandemic.

The ongoing Health System Modernization Project will be restructured, and additional financing will help respond to the Government's request for hospital reconstruction in the affected areas. Discussions are under way on how best to respond to the COVID-19 emergency, considering both short- and long-term interventions.

The Regional Trade and Transport Facilitation Project became effective in January 2020. A gender-focused Development Policy Financing was approved by the World Bank in October 2019 and will become effective after ratification by Albania's parliament.

Key Engagement

The Albanian coastline is breathtaking. Approximately 25 percent of the coastline is developed, but a large portion has remained untapped. Albania's marine space could be central to economic growth. Yet, as coastal tourism increases, so too does the potential for environmental and other damage.

More waste from tourism facilities is reaching the coastal waters, and plastic litter accounts for more than 90 percent of the total solid waste found on beaches.

WORLD BANK PORTFOLIO

Number of Projects: 12
Lending: \$738 Million
IBRD: 12 Loans (\$703 Million)
IDA Lending: \$35 Million
Grants: 10 (\$24 Million)

The economy of Albania has undergone several major transitions. Although the "blue economy" is a new concept for the country, by emphasizing the productive employment of marine resources for sustainable development Albania is well poised to foster this kind of "blue growth."

The World Bank is partnering with the Government of Albania to provide high-quality technical assistance and knowledge for the development of integrated, sustainable, and healthy marine and coastal resources.

Increasing awareness of the potential of the blue economy and the possible challenges in Albania provides an opportunity to foster economic growth.

The World Bank's technical assistance focuses on sustainable fisheries, a more developed aquaculture, and cleaner beaches and coastal waters. It also includes strategic advice on the blue tourism agenda with regard to marine litter, fisheries, and aquaculture. In the context of a broader blue economic strategy, it identifies areas for priority investments and reforms in these sectors.

As part of this work, a dissemination workshop on nautical tourism was held in February 2020 with government officials and development partners. Work is ongoing on such topics as plastic litter, fisheries, and aquaculture.

The efficient and sustainable use of natural resources could play a huge role in supporting Albania's blue economy and ensuring equitable access to these resources for future generations.

Recent Economic Developments

Albania was hit by a devastating earthquake on November 26, 2019. The earthquake, measuring 6.3 on the Richter scale, caused damage to physical assets and led to losses equivalent to an estimated 7.5 percent of GDP.

Tourism and housing were hit the hardest. Action by the Albanian Government and international partners has helped to mitigate the adverse human and economic impact of this natural disaster.

Growth decelerated to an estimated 2.2 percent in 2019 from 4.1 percent in 2018. Consumption contributed an estimated 2.8 percentage points to growth. Net exports added 0.7 percentage points, but investment has subtracted 1 percentage point since then.

Lower than expected revenues curtailed public investment, and two large energy projects financed by foreign direct investment are winding down.

Despite slower growth, labor market outcomes are gradually improving. Unemployment fell to a record low of 11.4 percent. Poverty is expected to have increased in the areas affected by the earthquake but to have fallen nationwide.

Contained spending and the clearance of arrears to the private sector helped lower public debt to 67.1 percent in 2019, though spending did not compensate for the under-performance of revenue.

Lower energy production and weak external demand triggered a widening of the current account to 7.6 percent of GDP in 2019. Despite the record high tourism inflows in 2019, lower incomes and low commodity and energy exports led to a widening of the current account in 2019.

Economic Outlook

Albania is expected to lose 1.4 percent of GDP in 2020, as the effects of steps taken to halt the spread of COVID-19 have severely hit the country's manufacturing, trade, tourism, and other non-tradable services.

The economy is likely to suffer from both a demand shock, fueled by the virus's spread across the EU, as well as a supply shock, as the labor supply remains restricted due to social distancing measures.

Public debt is expected to increase in 2020, as the deficit increases to 3.9 percent of GDP to counteract the loss in income due to the epidemic and support for post-earthquake reconstruction.

Monetary poverty is expected to fall slowly by roughly 1 percent per year unless a larger increase in labor earnings for the poor is put in place.

A sharper and more durable decline in oil prices would deepen the recession in 2020, further increasing public debt to GDP and forcing the Government to delay reconstruction spending.

Weaker global demand, reflected in lower commodity prices and a continuous decline in oil prices, would also hit the country's extractive industry, with important fiscal and economic repercussions.

Implementation delays in the reconstruction program could fuel domestic uncertainty and lower consumption.



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Project Spotlight

Development Policy Financing



The DPF aims to improve women's access to assets, level the playing field to enhance their job opportunities.

Gender gaps in education and health have almost disappeared in Albania.

Still, women face more obstacles than men throughout their lives, especially in building a successful career or starting a business.

For the first time, the World Bank has approved

a Development Policy Financing (DPF) loan solely focused on gender to help Albania continue its progress on bridging the gender gap.

The DPF will not only help the country's economy but also help to support the conditions needed for its entry into the EU.

The loan aims to improve women's access to assets, level the playing field to enhance their job opportunities, and strengthen gender-informed policy making. It builds on five years of analytical work on women's access to economic opportunities in the Western Balkans.

World Bank financing has been complimented by €50 million from the French Development Agency, 1.5 million of which will be technical assistance to support the implementation of the program.

The World Bank is committed to working with the Government of Albania to ensure that the existing gender parity is translated into labor market outcomes and entrepreneurship opportunities for women.



CONTACTS

Tirana

(355 4) 2280 650/1

34 Ibrahim Rugova St.,
Tirana, Albania.

More about the World Bank in Albania

Website:
[worldbank.org/en/
country/albania](http://worldbank.org/en/country/albania)

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