

Coronavirus response in 2021: building back better

Update on Albania (16 June 2021)



Covid-19 policy response

- **The policy response in 2020, amounting to 2.8 per cent of GDP**, focused on businesses and employees affected by Covid-19, as well as the health sector. It was enabled by increased and reallocated fiscal expenditures, the provision of sovereign guarantees and deferred tax payments.
- **The total budget for Covid-19-related expenditures in 2021** is 1.0 per cent of GDP and targets increased spending on healthcare, wages for healthcare workers, social assistance and unemployment benefits.
- **Regulatory flexibility measures for the financial sector**, such as deferred payments and loan restructuring, were adopted in 2020, alongside the suspension of bank dividend payments until August 2020. The introduction of more stringent classification and provisioning measures was postponed to 2022.

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators	
GDP growth	4.1	2.2	-3.3	EBRD GDP growth forecast (June 2021) 2021: 4.5%; 2022: 4.0%	
Annual inflation (end-year)	1.8	1.2	1.0		
Government balance/GDP	-1.3	-2.0	-6.7		Consumer confidence: -18.9 (Q1 2021)
Current-account balance/GDP	-6.8	-8.0	-9.6		Exports of goods: 34.9% y/y (Jan-Apr 2021)
Net FDI/GDP	-8.0	-7.6	-6.9		Annual inflation: 1.9% (April 2021)
Public debt/GDP (end-year)	69.5	67.8	76.0		
Unemployment rate (end-year)	12.3	11.5	12.5		

Key short-term priorities

- Maintain targeted support for those affected by Covid-19, but consider fiscal adjustments to ensure long-term debt sustainability.
- Advance on key measures to improve the business environment, such as simplifying tax, strengthening the public administration and fighting against corruption.
- Continue reforming property rights and the bailiff system; implement the insolvency law to enhance access to finance for small and medium-sized companies.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Well-governed

- Comprehensive justice-system reforms are advancing, with the long-term aim of building an effective and independent judicial system.

Green

- The Law on Climate Change was adopted in December 2020, paving the way for the country to adopt the National Energy and Climate Plan for 2021-30.

Resilient

- Albania has diversified away from hydroelectricity through a successful competitive capacity allocation for the largest solar plant in the region (Karavasta, 140MW) in November 2020. A better regulatory framework in the electricity sector would allow for the unbundling of the distribution system.

Integrated

- A power interconnection line between Albania and Kosovo is now operational and a railway rehabilitation project linking Tirana and Durres was signed in February 2021.

Digital

- The construction of broadband infrastructure for the digital economy is progressing, with the adoption of the National Broadband Plan and the completion of studies for its development in 2020.

To learn more about the EBRD's support for Albania, visit: <https://www.ebrd.com/albania.html>.

¹ For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.