

# Coronavirus response in 2021: building back better

## Update on Albania (14 December 2021)



### Covid-19 policy response

- Albania's Covid-19 policy response, worth 2.8 per cent of GDP in 2020, focused on businesses and employees affected by the pandemic, as well as the health sector. It was funded through an increase in and reallocation of fiscal expenditures, the provision of sovereign guarantees and the deferral of tax payments.
- The total budget for Covid-19-related expenditures in 2021 was 1.0 per cent of GDP. The government targeted increased spending on healthcare, wages for healthcare workers, social assistance and unemployment benefits.
- The government issued a eurobond worth €650 million with a 10-year term, the longest maturity Albania has sold to date, to finance its fiscal needs for 2021-22.

### Macroeconomic indicators (per cent)

	2018	2019	2020	
GDP growth	4.1	2.2	-4.0	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 8%; 2022: 3.7%</b> Quarterly GDP growth: 5.5% (Q1) and 17.9% (Q2) Goods export growth: 35.2% y/y (Jan-Oct 2021) Inflation: 3.1% y/y (November 2021) Tourist arrivals: up 82% y/y versus 2020; 80% of 2019 levels (January-October 2021)
Annual inflation (year end)	1.8	1.1	1.1	
Government balance/GDP	-1.3	-2.0	-6.7	
Current-account balance/GDP	-6.8	-8.0	-8.9	
Net foreign direct investment/GDP	-8.0	-7.6	-6.9	
Public debt/GDP (year end)	69.5	67.8	77.6	
Unemployment rate (year end)	12.3	11.2	11.8	

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### Building back better: key ongoing initiatives

#### Competitive

- A business and investment development strategy 2021-27 and a related action plan were approved in July 2021.

#### Green

- A law on climate change was adopted in December 2020, paving the way for the country to adopt its National Energy and Climate Plan for 2021-30.

#### Resilient

- The country diversified from hydroelectricity with a competitive capacity allocation for the largest solar plant in the region (Karavasta, 140MW) in November 2020.
- Efforts are ongoing to strengthen energy resilience by modernising and commercialising the state-owned power distribution company.

#### Integrated

- The interconnecting power line between Albania and Kosovo became operational, a railway rehabilitation project linking Tirana and Durrës was signed in February 2021 and a second international airport was opened in 2021. A tender was announced in 2021 for the construction of a fourth airport.
- Border controls for people traveling between Albania and Kosovo were removed in November 2021.

### Key short-term priorities

- Strengthen fiscal reforms to ensure long-term public debt sustainability.
- Progress key measures to improve the business environment, such as simplifying taxation, strengthening the public administration and combatting corruption.
- Continue to reform property rights and the bailiff system and implement an insolvency law to enhance access to financing by small and medium-sized firms.

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

<sup>1</sup> For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.