



# **ECONOMIC REFORM PROGRAMME (ERP) 2024-2026**

Ministry of Finance and Economy

December 15, 2023



## Importance of the ERP

Since 2015, all EU candidate countries and potential candidates prepare Economic Reform Programmes (ERPs) which intend to:

- (a) *prepare the countries for their future participation in the EU's economic policy coordination procedures;*
- (b) *play a key role in improving economic policy planning and steering reforms to sustain macroeconomic stability;*
- (c) *boost competitiveness;*
- (d) *improve conditions for inclusive growth and job creation.*

The ERPs are reviewed at the highest instances of the EU and discussed at the annual Economic and Financial Dialogue between the EU and the Western Balkans and Turkey.

*Once agreed, ERPs serve as roadmaps for governments to prioritise and implement needed economic reforms*

# Importance of the ERP

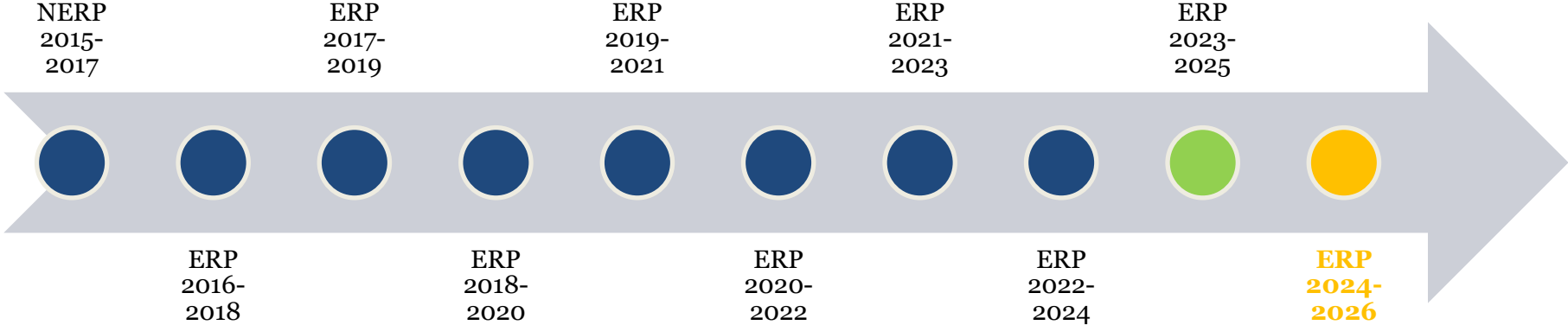
- The ERP is first and foremost a 'training exercise' to raise the institutional capacities of the country
- Reform must be budgeted and costed in order to be included in the ERP
- The document contains four chapters:
  - Implementation of Policy Guidance
  - Macroeconomic Framework
  - Fiscal Framework
  - Structural Reforms Priorities
- Adopted annually by the Council of Ministers and sent to the European Commission

# Importance of ERP

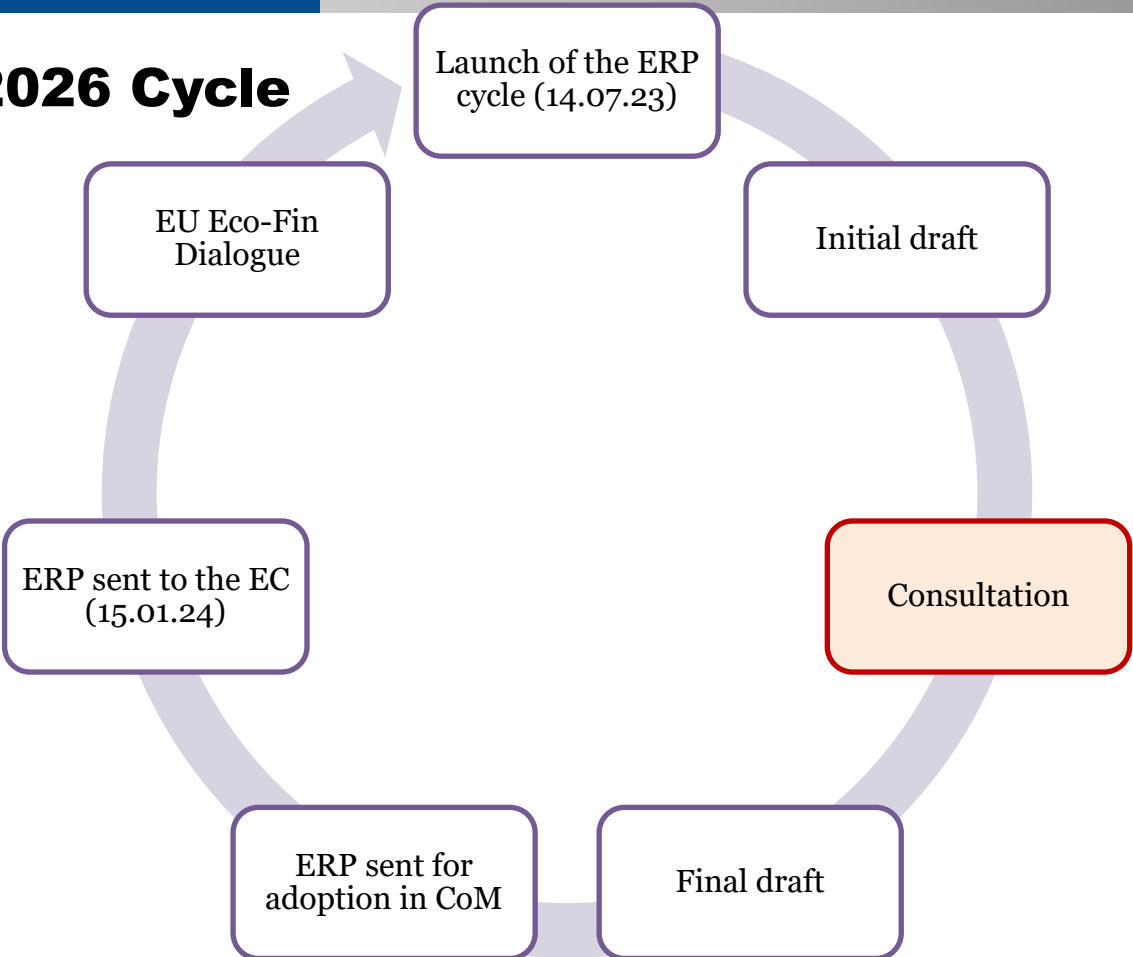
Starting this year, the ERP will serve as the conditioning documents for the New Growth Plan!

- A **€6 billion fund for the Western Balkans**, in the form of grants and loans, to be invested in the project that facilitates the convergence of the region's economic standards;
- The indicative fund for **Albania is almost €1 billion**;
- The disbursement of funds is conditional on the completion of structural reforms, some of them are found in the ERP!

# Timeline



# ERP 2024-2026 Cycle



# ERP 2024-2026

The ERP 2024-2026 has introduced several updates and revisions

- Three thematic clusters, instead of several areas as in previous ERPs
  1. Human capital and social policies
  2. Sustainability and resilience
  3. Competitiveness
- Reduced number of structural reforms, from 15-20 to 6. Up to two reforms per cluster
- Increased importance of dialogue with international partners in particular IFI, with more focus on complementing implementation of reforms

# **ERP 2024-2026**

The proposed structural reforms in the current draft ERP 2024-2026

## **Human capital and social policies**

SR #1 Education and Skills

SR #2 Access to social protection and healthcare, and increased employability for vulnerable groups

## **Sustainability and resilience**

SR #3 Renewable energy and green transition

SR #4 Digital transformation and infrastructure

## **Competitiveness**

SR #5 Research and innovation, economic integration, and improvement of services

SR #6 Improving business climate for SME and start-ups



# **HUMAN CAPITAL & SOCIAL POLICIES**

**SR #1 Education and Skills**

**SR #2 Access to social  
protection and healthcare, and  
increased employability for  
vulnerable groups**



## **Reform measure 1.1: Increasing the quality and access to VET**

The National Employment and Skills Strategy 2023-2030 is the main policy document that guides the implementation of actions related to employment and skills development in the country. The main measures it foresees are: (i) Development of relevant, flexible, permeable and evidence-based VET system; (ii) Strengthening the quality assurance and development framework in the VET; (iii) Systemic and systematic private sector engagement in VET; (iv) Foster inclusive lifelong learning opportunities for all; (v) Recognition of Prior Non-Formal and Informal Learning; (vi) Digitalization of Employment services and VET provision; (vii) Creation of the skills intelligence system that provide regular signals on labour market and VET developments.

## **Reform measure 1.2: Developing and empowering digital competencies of teachers**

The Ministry of Education and Science has planned the design and implementation of ICT programs for the third year after year starting from class I in 2022, class II in 2023 and class III in 2024. The improvement of the digital infrastructure, the continuous professional development of teachers and school principals, the maintenance of equipment, etc., continue to remain priorities for the future.

## **Reform measure 2.1: Improving accessibility in social programs and healthcare**

The overall goal of the measure is to expand the coverage, inclusiveness, effectiveness, and better targeting of people in need, through employment and social services and health care. Particular attention will be paid to: i) develop new model of integrated social services ii) continue the implementation of the deinstitutionalization national action plan; iii) finalise and implement the legal framework of the methodology in regard to evaluation and allocation of the national Social Fund; iv) increase the employability of vulnerable groups, especially from the NE scheme v) and strengthen the capacities of local government in the referral and management of the case through the electronic system and in the procurement procedures for social care services.

## **Reform measure 2.2: Improving the employability of the most vulnerable unemployed jobseekers**

The Employment promotion programs supporting most vulnerable groups have been implemented in continuity. Programmes include on-the-job Training, wage-subsidy, internship programme, self-employment Programme, and community employment. A new program on reintegration of most vulnerable groups with the support of NGOs has been drafted and is under consultation with the line ministries. A new program on traineeship that will be implemented in the framework of the Youth Guarantee. The pilot phase will be carried out in 2023-2024 and will take place in three regions: Tirana, Shkodra and Vlora.

# **SUSTAINABILITY & RESILIENCE**

**SR #3 Renewable energy and  
green transition**

**SR #4 Digital transformation  
and infrastructure**



## **Reform measure 3.1: Promoting renewable energy and reducing the carbon footprint**

If the countries of the Western Balkan are to follow the same trend as EU countries, leading to the decrease of air pollution, improvement of human health and decrease of health costs, decarbonisation is the most important step forward.

This measure's objective is two fold, (i) to limit the use and emissions of F-gases significantly, and provide incentives to use climate-friendly alternatives, and create the necessary licencing scheme; (ii) to develop the energy sector by increasing energy security, and production capacity via diversification, energy efficiency measures, in sustainable and environmentally friendly ways.

## **Reform measure 3.2: Innovative Structural Interventions and Technology Innovations for Renewable Energy in Irrigation and Drainage Pumping Stations**

Innovative structural interventions in the agricultural sector are increasingly focusing on the incorporation of renewable energy technologies to enhance efficiency and sustainability. A prime example of this is the integration of solar panels into irrigation and drainage pumping systems. By harnessing solar power, these systems can significantly reduce the dependency on conventional electricity or diesel generators, leading to a decrease in greenhouse gas emissions and operating costs. This green technology ensures a reliable energy supply, particularly in remote areas where grid electricity may be inconsistent or unavailable, and also promotes the use of clean energy.



## **Reform measure 4.1: Development of the broadband infrastructure for the digital economy**

The development of broadband infrastructure has become nowadays a precondition for social and economic development. Digital infrastructure and digitalisation is part of relevant regional strategic documents.

The key elements for the implementation of the reform measure during the coming years are focused on the following directions: (i) Improve legal and regulatory framework for digital infrastructure; (ii) Increase capacities for broadband/digital infrastructure developments; (iii) Promote investments/coverage with broadband networks.

## **Reform measure 4.2: Improving access to e-services, enhancing digital skills of users, and strengthening GovTech**

### 1: Improving access to electronic services and user experience

The focus will be on reorganizing the e-Albania portal according to the "life events" model through an innovative approach to the organization of public services, using the concept of "life events".

### 2: Enhancing skills and overall digital inclusion

The emphasis will be on increasing citizens' digital skills by creating ICT laboratories known as "smart labs". These laboratories will offer a supportive environment for teaching and learning to help students improve their knowledge in the field of technology.

### 3: Strengthening the primary enablers of GovTech

The proposed investments and improvements will bring many benefits to the users of the e-Albania platform, including ease of use, improved service quality, and better interaction with new technologies.

### **Reform measure 4.3: Rehabilitation of the Albanian railway network and interconnectivity for a sustainable transport**

The measure aims to rehabilitate and upgrade the Tirana-Durres railway, and extend a segment to Tirana International Airport. Civil works are currently ongoing and it is foreseen that the finished railway will bring many benefits to the economy and improving transport.

# COMPETITIVENESS

SR #5 Research and innovation,  
economic integration, and  
improvement of services

SR #6 Improving business  
climate for SME and start-ups



## **Reform measure 5.1: Deepening economic integration**

In essence the measure will strive to undertake several actions in the upcoming period to deepen economic integration in the region, such as: implementation of the action plan on CRM, non-tariff barriers, one-stop shop (National Single Window, NCTS); and new rules of origin based on the revised PEM convention.

## **Reform measure 5.2: Improving institutional, financial & human capacities for research & innovation**

The reform initiative aligns with the Government's medium-term goals as outlined in the National Strategy for Development and European Integration 2022-2030. The strategy is in harmony with and contributes to the fulfilment of the 2030 Agenda for Sustainable Development, adopted by the Albanian government in 2015. Furthermore, it aligns with the vision articulated in the National Strategy for Research, Science, and Innovation 2023-2030, which envisions that by 2030, Albania will facilitate high-quality scientific research contributing to sustainable socio-economic development in accordance with international and European standards.

## **Reform measure 5.3: Strengthening the fight against informality**

Enhancing efforts to combat informality stands as a strategic goal for the Tax Administration, which has consistently refined its operations to effectively pursue this objective. The essence of this initiative is summarized as follows: (I) Reduction of the compliance gap related to VAT; (II) Reduction of undeclared work, under-declaration of wages; (III) Unjustified wealth investigation; (IV) Reducing tax fraud; (V) Reducing compliance costs and increasing tax security and trust in the tax administration; (VI) Improving the quality of the service provided by the Tax Administration through the development of institutional capacities of the GDT

## **Reform measure 6.1: Developing a legal framework to support innovative start-ups**

The National Strategy for Advancing the Start-up Ecosystem advocates for a shift in Albania's value creation paradigm, emphasizing innovative entrepreneurship and heightened productivity. The primary objective is to fortify economic growth and enhance the well-being of the populace. Within this context, the mission of the strategy articulates a distinct aim: to establish a novel economic model founded on the principles of innovative entrepreneurship. The innovative entrepreneurship model is based on three pillars: (I) Innovative entrepreneurship; (II) Strategic Sectors; (III) Inclusive Development



## **Reform measure 6.2: Developing e-commerce, promotion of exports and internationalisation, increasing access to finance**

The current enforcement of the Business Investment Development Strategy spanning 2021-2027, coupled with the Action Plan for its execution from 2021-2023, serves as the foundation for devising additional measures to support businesses and investments. The adoption of Law No. 43/2022 on April 21, 2022, "On the development of micro, small, and medium-sized enterprises," shall pave the way for the enhancement of business support services. These services aim to foster an environment conducive to the green transition of SMEs, expedite their digitalization, and bolster measures supporting e-commerce. The creation of the Consultative Council for SMEs, as stipulated in Law No. 43/2022, will broaden the spectrum, and elevate the quality of business development services, contributing to the heightened competitiveness of SMEs.