

CONSULTATION OF THE MAIN STRUCTURAL REFORMS INCLUDED IN THE ECONOMIC REFORM PROGRAM 2024-2026

Draft Summary

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I. INTRODUCTION

Empowering the pivotal role of public consultation in fostering effective governance and shaping sound policies - is one of the core objectives of the Investment Council. This document aims to facilitate such interaction as relates to the consultation process of draft ERP 2024-2026 as prepared by the government of Albania, through the provision of simpler information on the draft ERP 2024-2026 and its related Policy Guidance. It aims to stimulate the gathering of valuable insights from the business community regarding the proposed Structured Reforms and specific reform measures and actions.

Since 2015², all EU candidate countries and potential candidates have prepared Economic Reform Programmes (ERPs³) 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, they serve as roadmaps for governments to prioritise and implement needed economic reforms⁴.

This summary refers and herein includes only those structural reforms and policy objectives directly related to the business community for easy reading.

II. BACKGROUND

The Ministry of Finance and Economy, in accordance with the Prime Minister's Order No. 107 dated 06.08.2019, takes charge of nationally coordinating the ERP in Albania. This involves overall leadership by the National ERP Coordinator, as stipulated in the order, which establishes the coordination mechanism for the ERP.⁵ ⁶The aim is to boost domestic production, incentivise new investments, and foster sustainable, inclusive growth and competitiveness.

The current ERP document 2024-2026 is divided into three main sections: (i) *Policy Guidance* – (adopted), (2) *Macroeconomic and Fiscal Framework*. and (3) *Structural Reforms* - Structural reforms tackle obstacles to the fundamental drivers of growth by liberalising labour, product, and service markets, thereby encouraging job creation and investment and improving productivity.

III. POLICY GUIDANCE

In collaboration with the European Commission, there is a collective agreement on policy guidance aimed at fostering a sustainable medium-term economic recovery. This initiative is designed to assist enlargement partners in progressively fulfilling the economic criteria essential for European Union accession.

Policy Guidance 4

PG 4.1 - Develop business support services to create a business environment to nurture SMEs' greening transition, further accelerate SME digitalisation and e-commerce, offer robust insolvency prevention policies to SMEs at risk, and ensure a coherent and predictable application of the property law.

PG 4.2 - Enhance energy resilience and diversification towards green energy transition to implement the Green Agenda, notably the electricity, energy efficiency and climate acquis.

¹ Several recommendations have been provided for the stakeholders in IC meetings including governmental institutions, private sector, and partners for development, aiming to bring parties close to each other through systemic, transparent, and inclusive instruments of interaction.

² European Commission: https://neighbourhood-enlargement.ec.europa.eu/system/files/2018-05/20180417-erp-factsheet.pdf

³ The ERPs are a key element of the «fundamentals first» approach in the EU's enlargement strategy.

⁴ https://www.oecd.org/south-east-europe/programme/ERP_Diagnostic_Tool.pdf

⁵ Within the Ministry of Finance and Economy, the ERP coordination team works closely with various government institutions and public authorities to draft and prepare the Economic Reform Programme document. (ERP) set out the primary macroeconomic and fiscal policies with the goal of striking a well-defined equilibrium between internal strengths and external threats.

⁶ The primary goal is to facilitate sustainable growth, elevate employment rates, and diminish public debt. Furthermore, the ERP concisely outlines the crucial structural reforms that Albania is currently undertaking in the short-term perspective.



PG 4.3 - Implement within 2024 the adopted climate and energy targets based on the National Energy and Climate Change Plans as part of the 2030 Decarbonisation Roadmap and ensure that the Renewable Energy Operator is operational by the end of 2023, in line with the renewables law that was adopted on 23/3/2023.

Policy Guidance 5

- PG 5.1 Encourage cooperation between innovative businesses research organisations, and academia, as foreseen in the Strategy on Business and Investment Development 2021-2027, by continuing to increase science and research funding, and by creating the conditions for the development of business incubation programmes.
- PG 5.2 Conduct a Youth Guarantee pilot and analyse its performance, and in parallel review and adjust the functioning and operational structure of the National Agency for Employment and Skills (NAES) to accommodate the service delivery of the Youth Guarantee and develop a set of quality offers.
- PG 5.3 Use the outputs of the Labour Market Observatory to improve the labour market relevance of vocational education and training (VET), invest in its quality and ensure cooperation with the private sector; focus on building skills of youth and adults, with a particular focus on digital skills to support the expanding communications and technology sector.

IV. STRUCTURAL REFORM PRIORITIES IN 2024-2026

As mentioned, this overview exclusively encompasses structural reforms directly associated with the private sector, as outlined in the Economic Reform Program (ERP) for 2024–2026.

1. HUMAN CAPITAL AND SOCIAL POLICIES

This pillar includes components related to: (a) employment and labour market; (b) education skills and VET; (c) healthcare; (d) social protection and inclusion. Unemployment is the most popular indicator of the labour market. The official unemployment rate in a country represents the unemployed persons as a percentage of the labour force. It is probably the best-known labour market measure and one of the most widely quoted by media in many countries. It reflects the inability of an economy to generate employment for those persons who want to work but are not doing so, even though they are available for employment and actively seeking work.

SR#1: Education and skills

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: Development and empowerment of digital competency of teachers

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.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
(a) Design and approval of the Information and Communication Technology program and its implementation in the first and second grade and drafting the supporting material for teachers and students to include coding skills and its implementation for the third grade. (b) Training of about 600 teachers and 200 school principals on teacher standards for the use of ICT in the preuniversity education system through professional networks. (c) Investment in increasing the number of digital devices in schools.	 (a) Design and approval of the Information and Communication Technology program and its implementation in the first, second and third grade, for the 2025-2026 academic year. 216 SmartLabs and customized SmartLab into 2 collective schools to be fully functional and approval of the Policy and Strategy for the ICT in education. It is under negotiations the extending of the ICT subject to about 627 other schools through the Western Balkans Investment Framework (WBIF) together with the Council of Europe Development Bank (CEB). 	(a) Regarding SmartLabs, development of a costed replacement plan to ensure the sustainability of SmartLabs beyond the life of the GovTech Program and ElementIT. Incorporate costed replacement plan into rolling three-year ICT in Education Strategy.

2. SUSTAINABILITY AND RESILIENCE

This pillar includes components related to energy, digital transformation, green transition, healthcare and transport.

- (a) **Energy**: Albania has taken steps towards energy efficiency and climate action with the introduction of its 2030 energy efficiency targets and associated policies and measures outlined in the NECP; however, it requires revision to align with the new 2030 targets in place.
- (b) **Digital transformation** tackles: (i) digital infrastructure, focusing on closing the internet access 'gap' by having affordable access to high-speed internet; (ii) e-governance, investing in access to public services online and mutually recognised digital signatures and focusing on digital transport corridors to improve document and information flows across borders; (iii) digital economy and innovation addressing cross-border eCommerce, digitally empowering citizens through digital education, and investing in digital innovation; (iv) Cyber resilience Cybersecurity focusing on putting in place institutional, policy and legislative cybersecurity frameworks and on introducing methodologies and standards in order to secure and facilitate exchanges of data.
- (c) Green transition: Recognising the potential of the green economy in Albania, the government and all stakeholders need to synergise and strategise towards removing barriers to the effective implementation of a green economy. Some of these barriers include lack of awareness, the inadequacy of data, poor coordination among green economy actors as well as human and institutional capacity gaps.
- (d) **Transport:** The number of automobiles in Albania is increasing year by year, leading to higher levels of air pollution, exposing the economy to the number of electric cars is still low in traffic jams. Extending the railway system, modernising urban transport, and incentivising the electrification of road transport is among the solutions to make transport, including transportation of dangerous goods, more sustainable, greener, smart, and affordable.

SR #3: Renewable energy and green transition

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



ACTIVITIES PLANNED			
Year 2024	Year 2025	Year 2026	
 (a) Approval of bylaws foreseen by the Law on F-gases. (b) Creation of the certification scheme for the natural persons working with F-gases or equipment which functions rely on F-gases. (c) Approval of legal framework on EE, RES and transposition of electricity directive. (d) The Rehabilitation Program of the Dormitories of the University of Tirana according to the Principle of Energy Efficiency. 	on F-gases. (b) Establish the Electronic Register in the National Environmental Agency. (c) Functioning/Implementation of the certification scheme for natural persons working with F-gases or equipment whose functions rely on F-gases.	EE and RES.	

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.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
(a) The installation of an SPV of 500 kWp near the Divjaka pumping stations to decrease the irrigation costs.	 (b) Installation of 500 kW SPV on the Mursi downstream dam wall. (c) Design and installation of SCADA (Supervisory Control and Data Acquisition) system in the 2 modernized drainage pumping stations (Seman and Darzeza). (d) Installation of SPV in all the 27 drainage pumping stations. 	(a) Installation of monitoring sensors in the remaining 25 drainage pumping stations to remotely measure water level, energy use from each pump, working hours, etc.

SR #4: Developing digital connectivity and infrastructure.

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

The key elements for the implementation of the reform measure during the coming years are focussed 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.



ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
for the implementation of the new law on electronic communications. (b) Establishment of Broadband Competent Office (MIE). (c) Investments in white areas (MIE). (d) Development of 5G networks (2024-2026) (MIE/ AKEP). (e) WiFi4AL. (f) Development/improvement of broadband ATLAS	(b) Broadband Competent Office (Implementing Institution: MIE).	 (a) Investments in white areas (MIE). (b) Development of 5G networks (2024-2026) (MIE/ AKEP). (c) Piloting Broadband Development with fibre optic. (d) WiFi4AL.

3. COMPETITIVENESS

This pillar encompasses challenges impeding competitiveness and actions related to:

- (1) **Research, development, and innovation** In recent years, the Albanian Government has made significant strides in developing infrastructure to aid Micro, Small, and Medium Enterprises (MSMEs) and startup companies. The legal framework permits various state agencies, including the forthcoming establishment of the Start-up Albania Agency, to bolster the growth of the startup and innovation ecosystem and facilitate entrepreneurial development. However, the challenge lies in the sustainability and professionalism of the support services provided by private organizations;
- (2) Business environment, and reduction of the informal economy As highlighted in the 2022 OECD SME Policy Index, Albania copes with certain deficiencies in competitiveness. These encompass the formulation of measures within the insolvency prevention policy, including the establishment of a comprehensive early warning system. Small and medium-sized enterprises (SMEs) tend to underestimate the significance of maintaining a healthy financial standing and avoiding precarious decisions. Informality stands out as a primary impediment to the sustainable advancement of formal businesses and, consequently, the overall economy. Notable challenges in the business environment are linked to frequent legislative changes, often incomprehensible for predominantly small enterprises, and the upward trajectory in interest rates, leading to increased lending costs.
- (3) **Economic Integration** Overall, to increase the trade flow, the focus regarding economic integration is to gradually eliminate non tariff barriers which hamper the trade among trade partners and pose obstacles for the business and facilitate trade and procedures related to trade.
- (4) Agriculture, industry, and services obstacles, including, but not limited to (i) Infrastructure Limitations, (ii) Social and Demographic Challenges, and (iii) Globalisation and Trade.

SR #5: Digitalization as an improvement of services and increasing transparency.

Reform measure 5.1: Improving access to e-services, enhancing digital skills of users, and strengthening GovTech

Primarily, this measure is directed towards: (1) Improvement of access to electronic services and user experience; (2) Enhancement of skills and overall digital inclusion; (3) Strengthening the primary enablers of GovTech.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
a. Eligible e-services on e-Albania regrouped in life events at Level 2 (NAIS) b. 200 SmartLabs made fully functional by NAIS.	a. E-Albania online is in the live phase with three priority functionalities and compliant with eligible accessibility standards (NAIS). b. 5 institutions publish datasets in accordance with Open Data (OD) standards (NAIS, Open Data) c. Equipment of 5,500 secondary school	a. 60% of highly used services apply 8 Digital Service Standards (NAIS).



teachers with laptops to ensure full use of	
the SMIP System (Pre-University	
Information Management System). (NAIS)	

Reform measure 5.2: Improving institutional, financial, and human capacities for research and 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. This development is to be achieved through the application of new scientific knowledge and innovations in technology and research.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
a. Drafting and approval of by-laws that guarantee access to publications of the country's scientific researchers to be in line with the Open Access strategies implemented at the European level. The Ministry of Education and Sports will be in charge for leading this process. b. Drafting of the National Map of Scientific Research Infrastructure in Albania in accordance with ESFRI (European Strategic Framework of Research Infrastructure). The National Agency for Scientific Research and Innovation (NASRI) is the responsible institution for coordinating the process. c. Finalisation and approval of the Smart Specialization Strategy (S3) and Law "On Science in the Republic of Albania". Considering the importance of this process for the Albanian Government and the fact that it covers a wide number of sectors, through approval of Executive Order No. 17 dated 07.02 .2023, S3 process is coordinated by the Deputy Prime Minister leading the S3 Inter-Ministerial Committee and assisted by the National S3 Team. d. Approval of the package of by-laws in implementation of the new Law "On Science in the Republic of Albania". The Ministry of Education and Sports will oversee leading this process. e. Drafting and approval of by-laws related to the Status of Scientific Researcher and Code of Ethics in Scientific Research. The Ministry of Education and Sports will oversee leading this process. f. Development of the capacities of the staff of MES, NASRI and other research institutes for the collection, analysis, and standardized reporting of statistics for scientific research according to international standards (Eurostat, OECD). Albanian School of Public	a. Creation of a National Coordinating Structure for policies on Science, Technology, and Innovation under MES's responsibility. b. Drawing up performance indicators on scientific research for the purpose of comparison at the European and international levels. INSTAT is the main responsible institution. c. Strengthening the capacities of Higher Education Institutions (HEIs), business representatives, central and local institutions for the drafting of joint projects. MES and NASRI will lead this process. d. Completion of the necessary legal basis for the international transfer of technologies and strengthening the capacities of HEIs for international technology transfer. The General Directorate of Industrial Property (GDIP) is the institution that will this lead process.	a. Development of new infrastructures that enable the international transfer of technologies under the MFE's responsibility. b. Drafting of guidelines (including protocols and procedures) for the drafting of joint projects under NASRI's main responsibility. c. Assessment of needs for technology/innovation developments to guide national projects under NASRI's main responsibility. d. Drafting of projects for the creation of regional centres of technology and innovation to support technological development under MES's responsibility.



Administration (ASPA) is the leading	
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institution.	
g. Promotion of international programs	
that support technology transfer and	
recognition of all groups of interest in the	
mechanisms, instruments of	
financing/support of the international	
transfer of technology will be in charge	
for leading this process supported by	
MFE, NASRI and other institutions.	
h. Increasing cooperation between Higher	
Education Institutions, central and local	
government institutions, the business	
sector, and civil society through the	
expansion of research and development	
of joint projects. (Quadruple Helix	
Model). NASRI is the main responsible	
institution for coordinating and	
implementing the process.	

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 summarised as follows: (I)Reduction of the compliance gap related to VAT; (II)Reduction of undeclared work, underdeclaration 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 (TA) through the development of the institutional capacities of the tax administration.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
a. Implementation of annual sectoral plans based on plans according to industries, sectors, geographical distribution, type of tax and phenomena based on the implementation and improvement of modules (Fiscalization and C@ts). b. Campaign of registration for VAT purposes. c. Joint analyses with the help of Swedish Tax Administration experts for tackling tax avoidance for new registered taxpayers. d. Integration and use of data from third parties of the tax administration, {national utility authorities (water, electricity), vehicle registration, municipalities, etc.}.	a. Drafting of a comprehensive integrated approach in the direction of non-declaration of employees' salaries. b. Prefilled VAT and personal income tax returns. c. Developing BI reports on analysing data for VAT and other tax purposes.	a. Taking measures and developing activities to reduce cash payments in the economy. b. Construction of the Register of Taxpayers' Assets (movable & immovable). c. Achieving compliance by design through system rules and automated processes

SR #6: Support for SMEs and start-ups

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, emphasising 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: (1) Innovative entrepreneurship; (II) Strategic Sectors; (III) Inclusive Development.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026



- a. Launch Start-up Albania Agency.
- b. Launch Albania Entrepreneurial Strategy measures and implementation activities.
- c. Launch funding calls for start-up companies in early, validation and growth stages based on the strategy.
- d. Build two certified incubator programmes.
- e. Launch Business Angel Training programme and train 10 business angels.
- f. Review and improve legal framework for equity investment into start-up companies.
- g. Design Stakeholder coordination Programme
- h. Design and launch measures to increase the number of high-value digital nomads in Albania.
- i. Create a professional mentorship network.
- j. Launch Innovation Fund.
- k. Create an incentive scheme for VC and CVC funds to be launched

- a. Establish 2 certified incubator programmes in 2 other cities.
- b. Launch one regional transformation centre.
- c. Train 30 business angels.
- d. Increase number of funding instruments for start-up companies-Venture capital.
- e. Launch funding calls for startup companies in early, validation and growth stages.
- f. Launch call for funding university spinoff companies.
- g. Launch diaspora engagement programme.
- h. Develop foreign sales missions for growth start-up companies.
- i. Develop early-stage virtual educational platform for founders.
- j. Launch two sandbox projects

- a. Support establishment of two private venture capital funds.
- b. Launch funding calls for start-up companies in early, validation and growth stages.
- c. Launch funding calls aimed at women entrepreneurs.
- d. Launch call for university spinoffs.
- e. Support the creation of Technology transfer offices within universities.
- f. Create an elite acceleration programme focused on selected industries.
- g. Create National Super Cluster programme.

Reform measure 6.2: Support measures to MSMEs

The current enforcement of the Investment and Business 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 enactment of Law No. 43/2022 on April 21, 2022, titled "On the development of micro, small, and medium-sized enterprises," paves 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 digitalisation, 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. In the upcoming period, particular emphasis will be placed on crafting policy documents and significant strategic formulations. This will involve the transformation of industry and the exploration of successful collaboration models across various stakeholders, including the central and local government, businesses, and universities within the multiple helix framework.

ACTIVITIES PLANNED		
Year 2024	Year 2025	Year 2026
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a. Provision of digital solution projects	a. Provision of digital solution projects for	a. Provision of digital solution
for MSME.	MSME.	projects for MSME.
b. Consultation and approval of the	b. Analysis of a certain sector where	b. Monitoring the implementation of
Roadmap for National Policies for	Albania has an advantage in exports and	the Export Roadmap measures.
Promotion of Exports and	drafting of a guide.	c. Monitoring the implementation of
Internationalization 2024-2027.	c. Follow-up of measures according to the	the measures of the E-Commerce
c. Consultation and approval of the 2024-	annual plan of the e-Commerce Action	Action Plan.
2026 E-Commerce Action Plan and plan	Plan.	d. Implementation of the Financial
of measures.	d. Grants to MSMEs.	Agreement for granting grants to
d. Implementation of the Financial	e. Creation of Chamber of Commerce	MSMEs EU 4 Innovation.
Agreement for granting grants to	Structures and monitoring of this	e. Monitoring of the structures
MSMEs by ProSeed.	procedure.	created by the implementation of the
e. Approval of the Law "On Chambers	f. Follow-up of each proposed Strategic	Law on Chambers of Commerce.
of Commerce and Industry".	Investment project.	f. Follow-up of each proposed
f. Approval of the Law "On Investments	g. Following the measures according to the	Strategic Investment project.
of the Republic of Albania".	annual plan of the GDT against	g. Monitoring the impact of the
g. Approval of the Tax Directorate's plan	informality.	measures taken by the Tax
of measures against informality.	h. Monitoring of the functioning of the	Directorate against informality.
h. Establishment of the Consultative	Consultative Council of MSMEs in	h. Reporting on the activity of the
Council of MSME.	accordance with the regulation.	Consultative Council of SMEs.