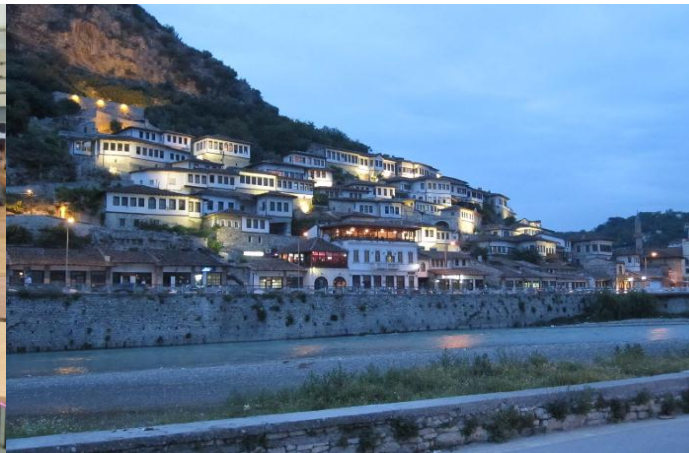




# INVESTING IN ALBANIA



Ellen Goldstein  
World Bank Country Director  
for Southeast Europe

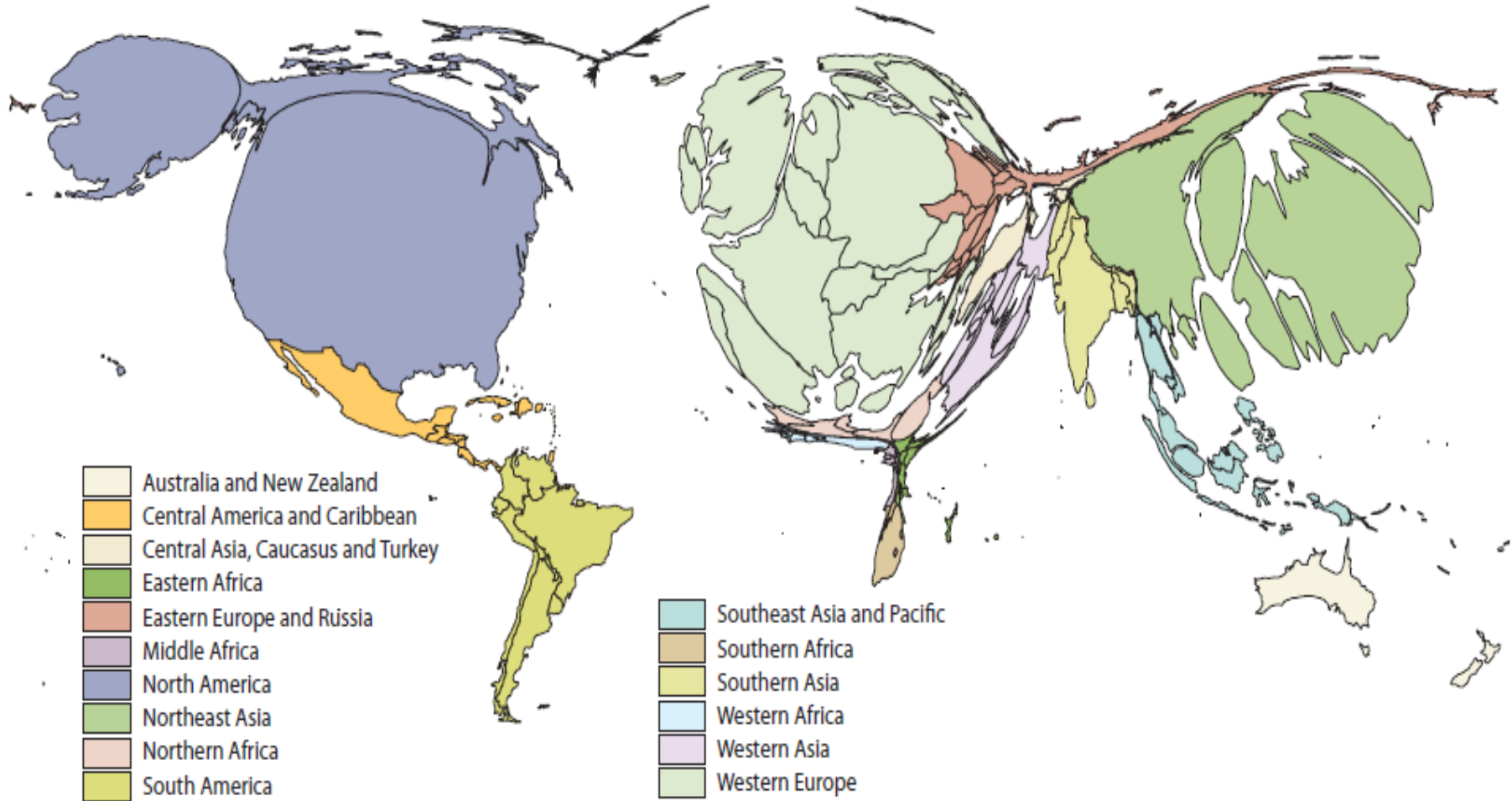
Austrian Federal Economic Chamber  
Vienna  
May 12, 2014

# Key Messages

---

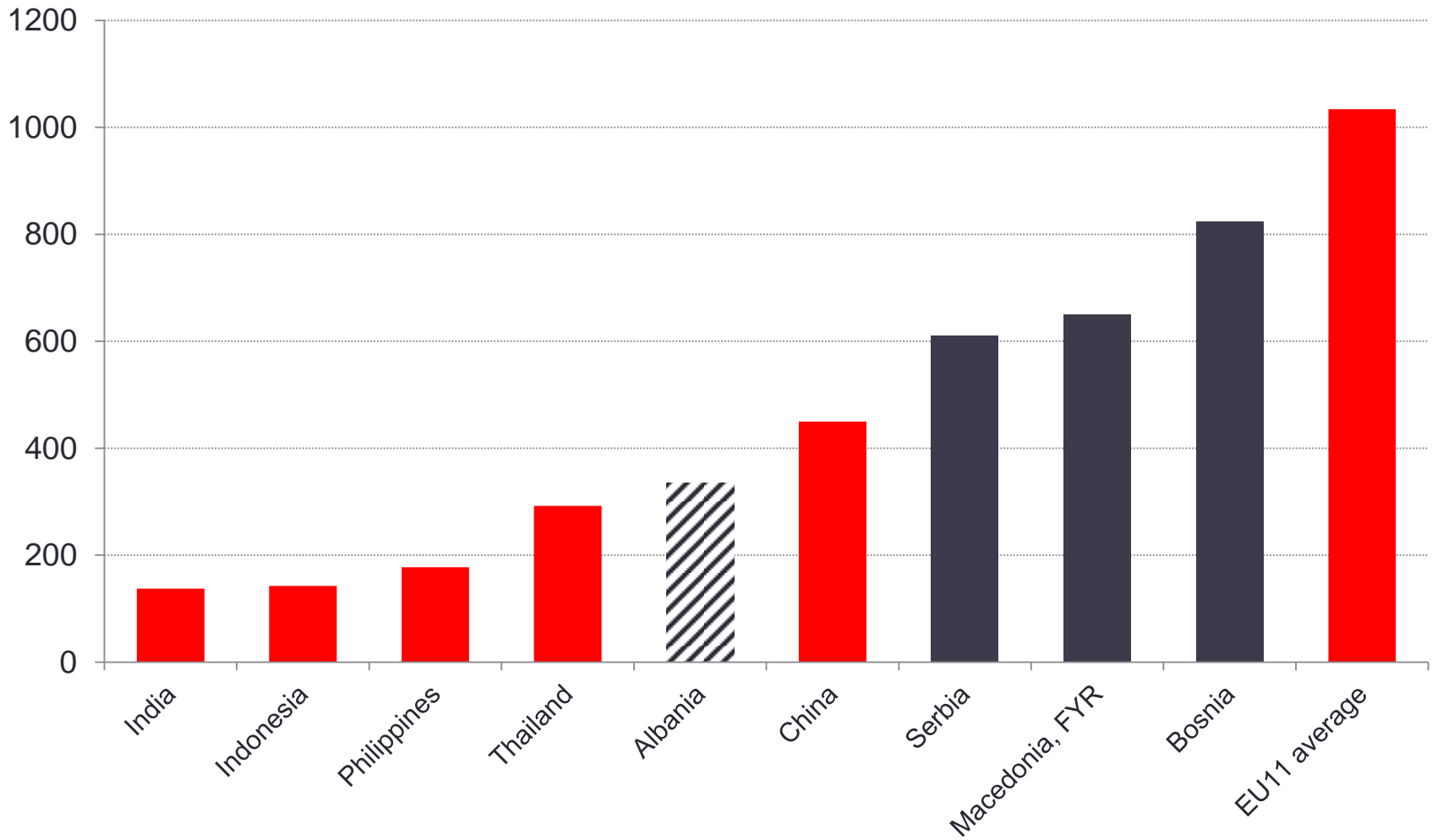
- ✓ Location, labor costs, endowments and reforms make investing in Albania a good opportunity!
- ✓ Boosting investment for growth and jobs will require a sustained reform effort over the medium-term.
- ✓ Macro-fiscal adjustment, improving the investment climate, increasing connectedness, building “new economy” skills are key
- ✓ Integration into the European economic bloc will drive a powerful convergence towards greater prosperity in Albania

# ***Location:*** next to the world's largest and most connected economic bloc



Note: Map resized according to economic strength

# **Labor costs:** significantly lower than the rest of Europe but higher than fast-growing Asia



# ***Natural Endowments:*** rich in hydropower and tourism potential



Hydropower potential of about 4500 MW of which only 1700 MW (35%) installed.

## **The New York Times**

### #4 in top 50 places to go in 2014



Kayaking near Porto Palermo, Albania. [Wassabi Abdesassi](#)

#### 4. Albanian Coast

On a rugged shore, Europe at its best.

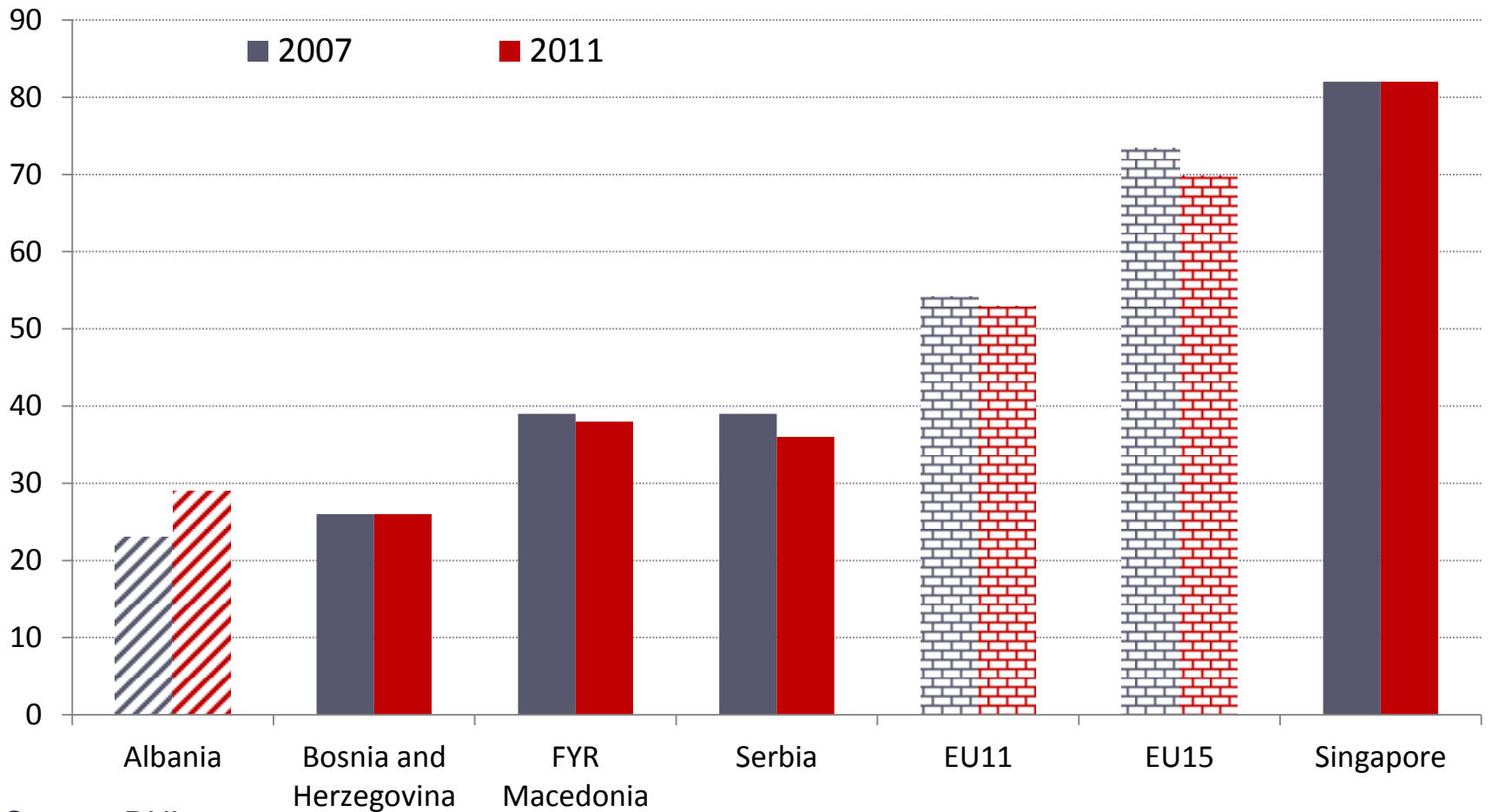
What if you could combine the rugged beauty you'd find on Croatia's Dalmatian Coast with the ruins of an undiscovered Turkey or Greece, all wrapped in the evocative nature characteristic of rural Italy — at a fraction of the cost? Turns out you can, on the coast of Albania. The roughly Maryland-size country, between Greece and Montenegro, sits about 45 miles east of Italy on the eastern shores of the Adriatic and has limestone-ringed beaches, ancient ruins like Butrint and waterfront inns where you can stay for less than \$50 a night. Rampant development threatened to turn it all to concrete in the years after Communism, but a new government took office in September on promises of keeping the coast authentic. Head to villages like Dajçore, within sight of Corfu, where you can kayak past Cold War submarine tunnels, swim by abandoned forts and watch the tide rise during a dinner of fresh fish at an inn called the Riviera. This is Europe when it was fresh and cheap.

— TOM McVILLIE



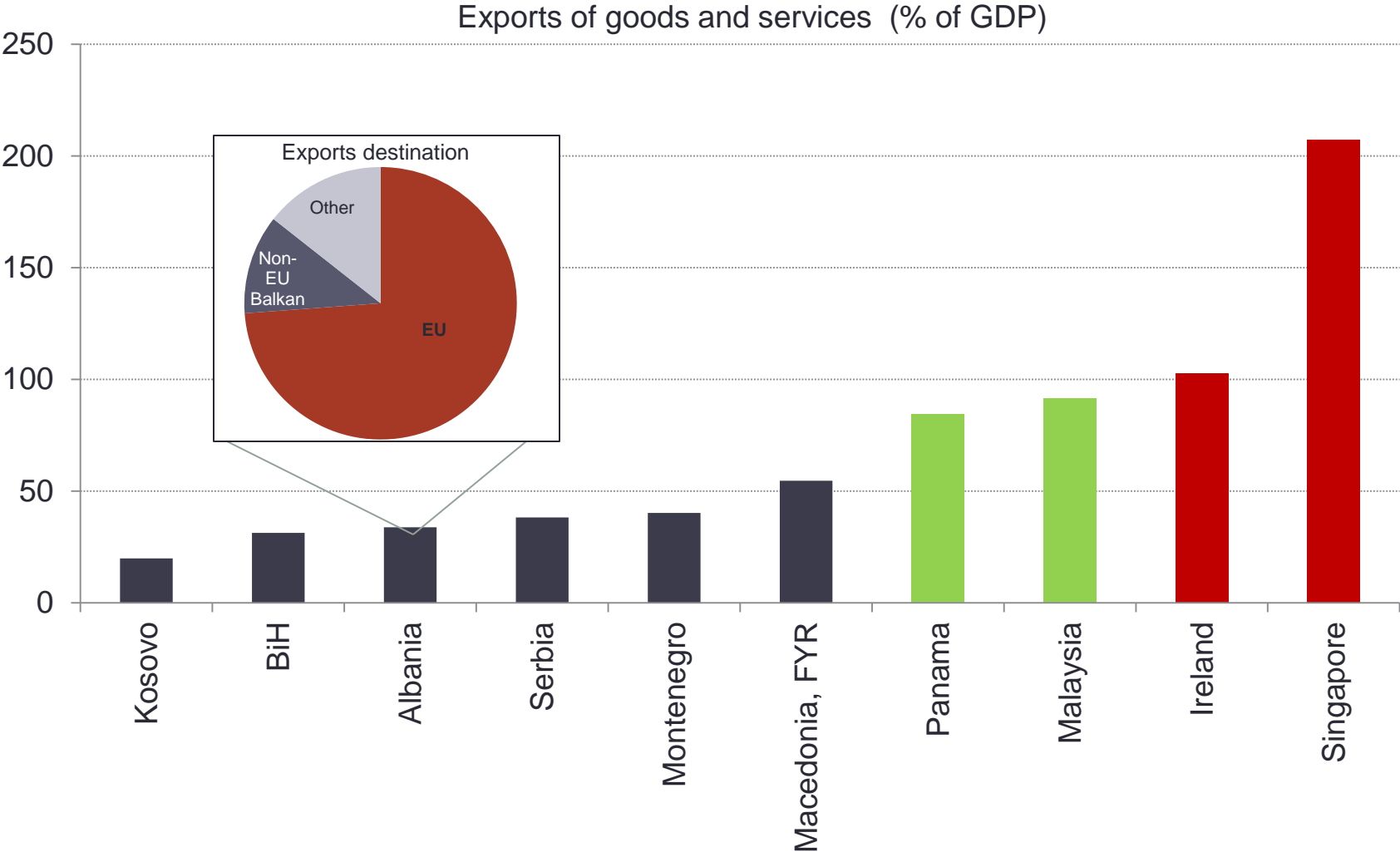
# *Global connectedness*: below Europe and fast-growing Asia...but starting to catch up

Global connectedness score, 0-100



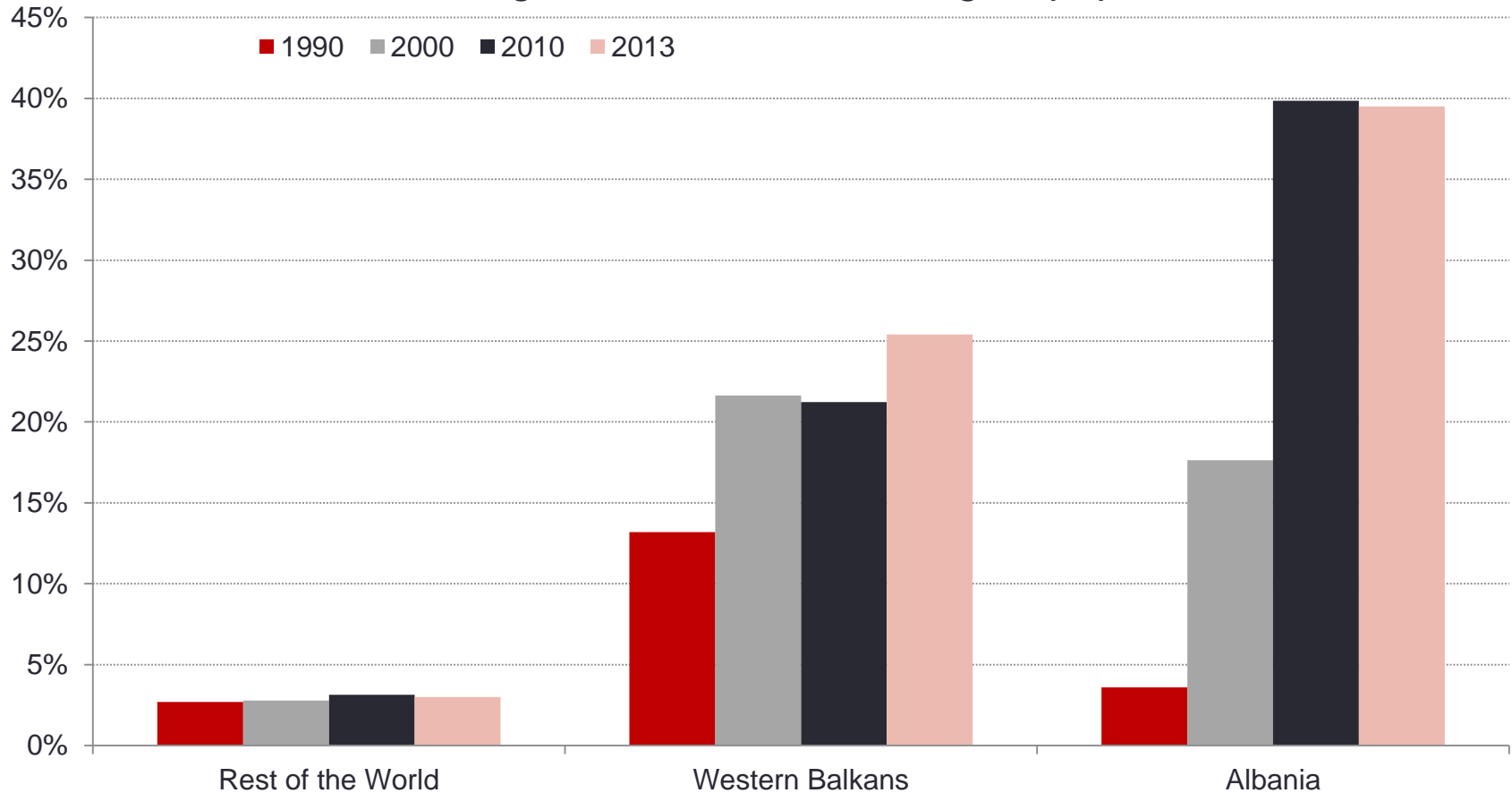
Source: DHL

# *Exports remain a small share of national income relative to Europe and fast-growing Asia*



*... but Albania is a world leader in exporting people*

Share of migrant stock in source region population



Source: Based on UN International Migrant Stocks (2013 revision)



# **Investing in Albania**

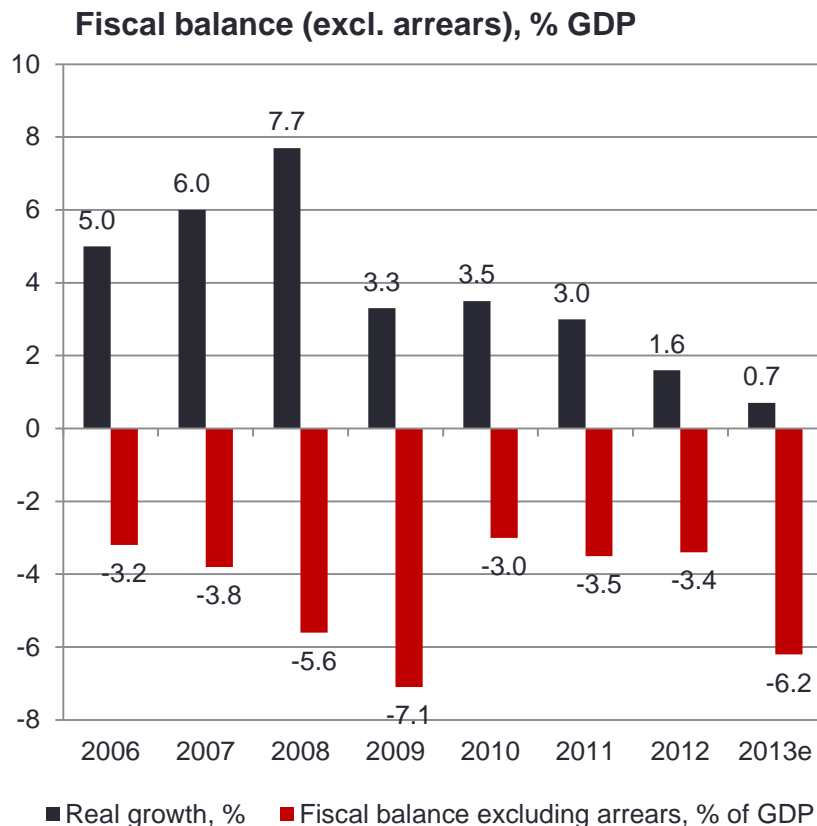
---

**EXPLOITING OPPORTUNITIES,  
OVERCOMING CHALLENGES**

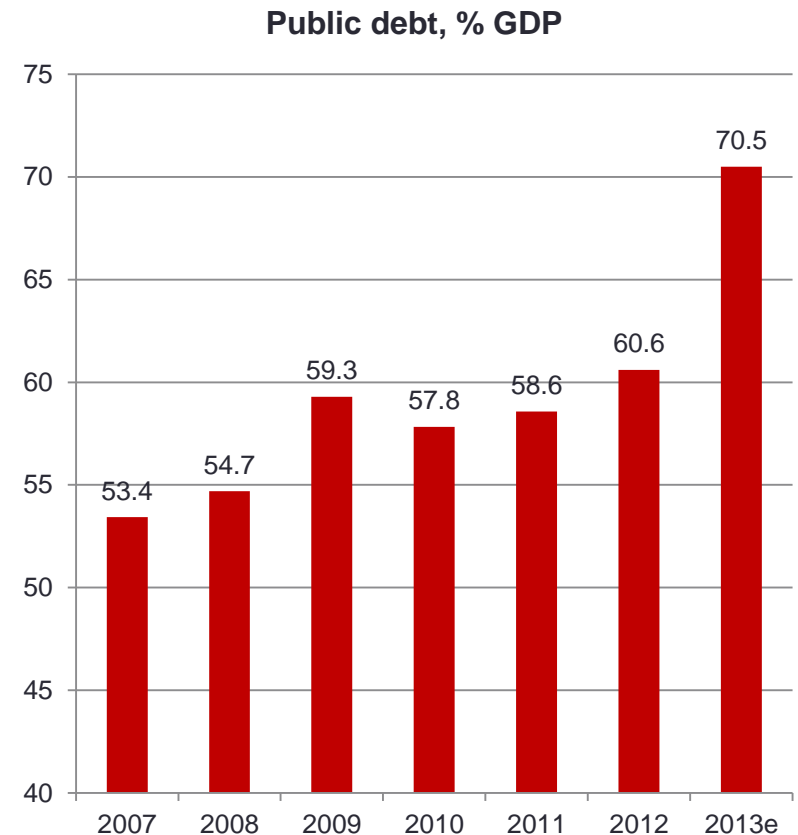
# Priority 1- Putting the macro-economic and fiscal house in order

Large fiscal deficits and accumulation of arrears...

... drove up public debt

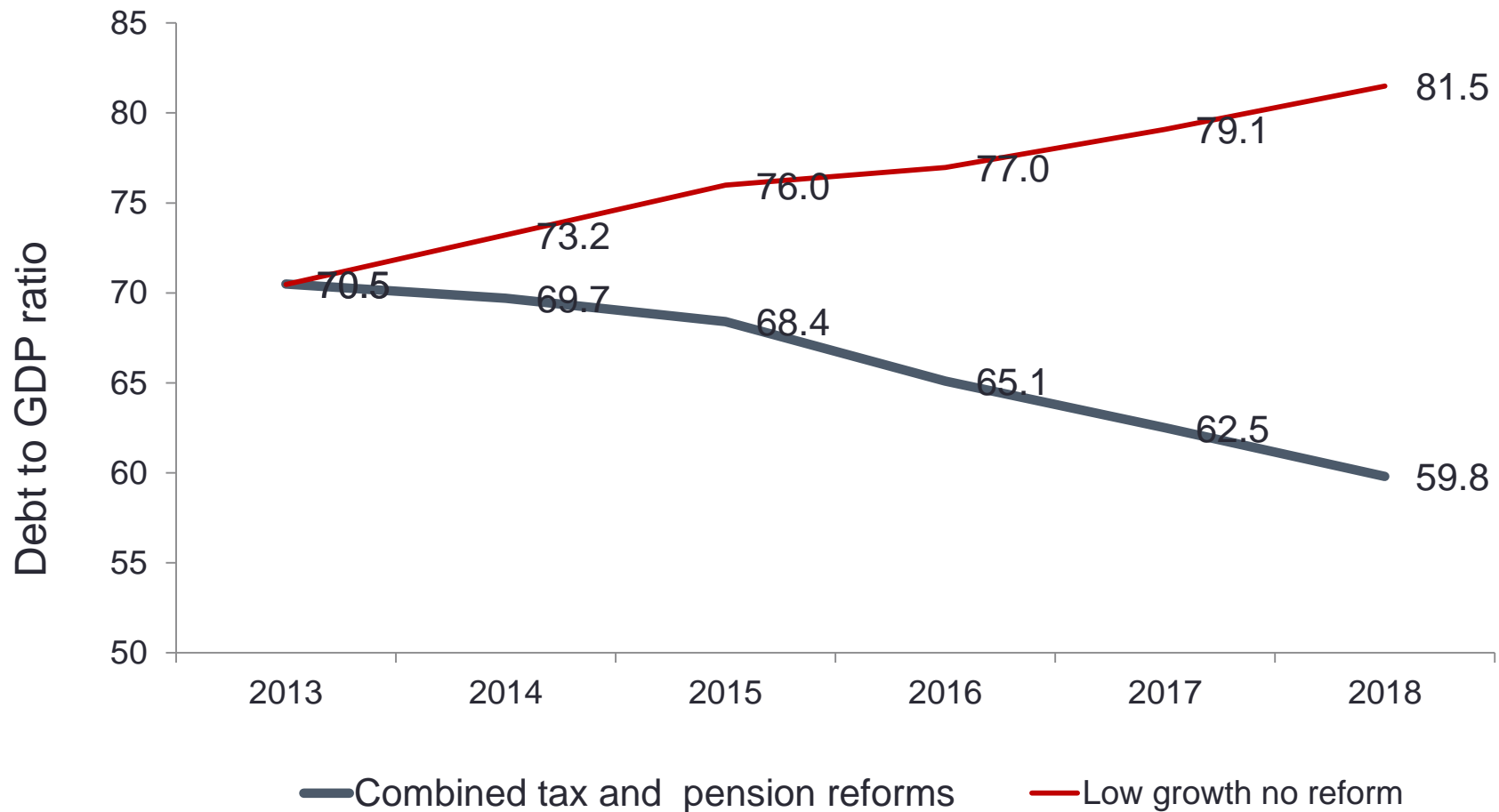


Source: World Bank staff calculations



Source: World Bank staff calculations

## *Serious fiscal reforms needed to stabilize public debt in the medium-term*

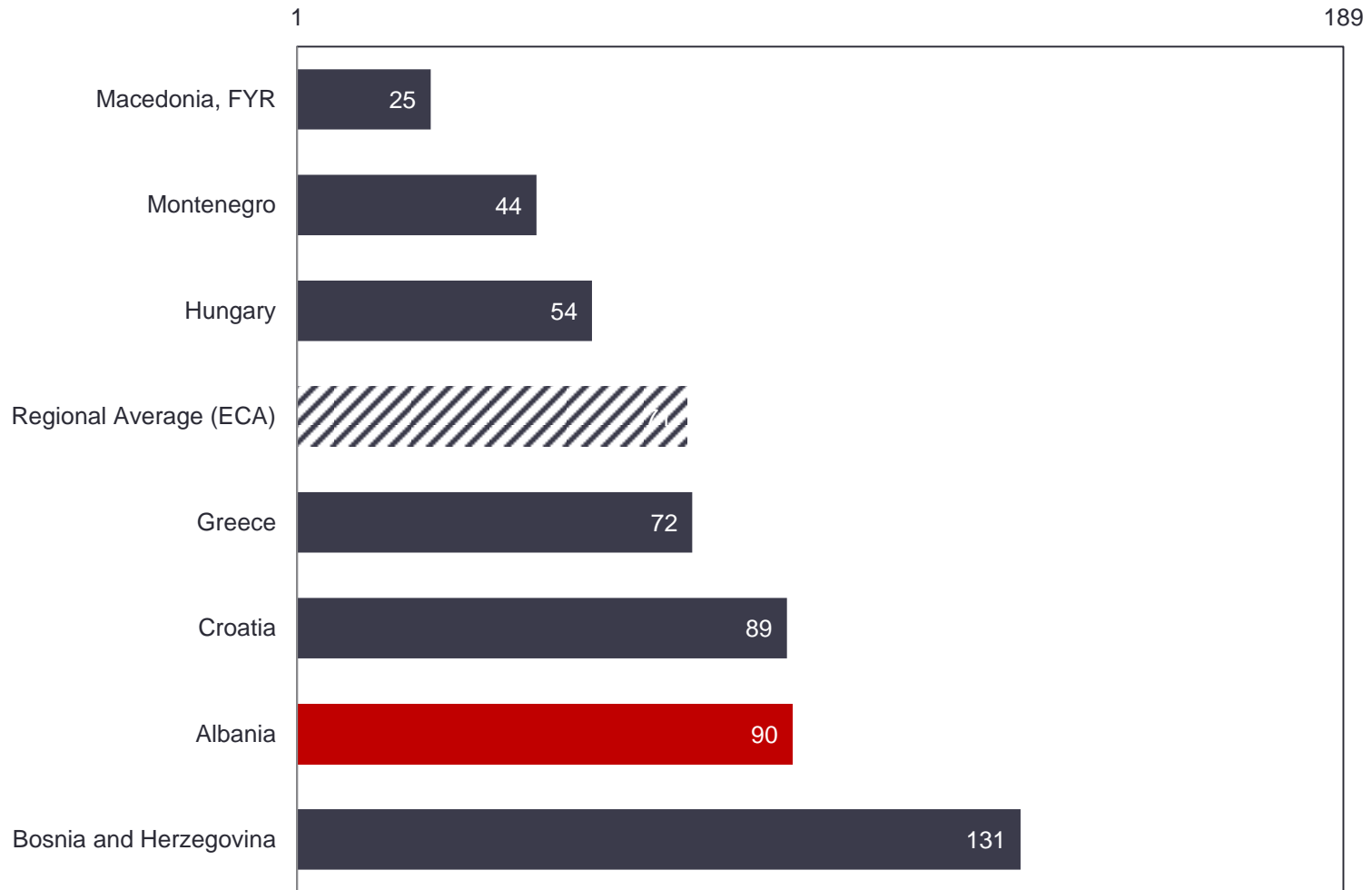


## *Top 10: progress on macroeconomic and fiscal reforms*

- ✓ Agreed medium-term **macro-fiscal framework** with IMF/WB
- ✓ Adopted **public sector arrears** clearance & prevention strategy
- ✓ **Cleared arrears** of Eur 174 million by end-April
- ✓ Set **commitment controls** to avoid re-accumulation of arrears
- ✓ Improved **electricity billing** for non-metered households
- ✓ Enhanced **revenue mobilization** through tax policy and administration
- ✓ Launched public consultations on 2014 revision of **Pension Law**
- ✓ Adopted risk-based **banking supervision** system
- ✓ Strengthened **deposit insurance** system
- ✓ Expedited resolution of **non-performing loans** in banking sector

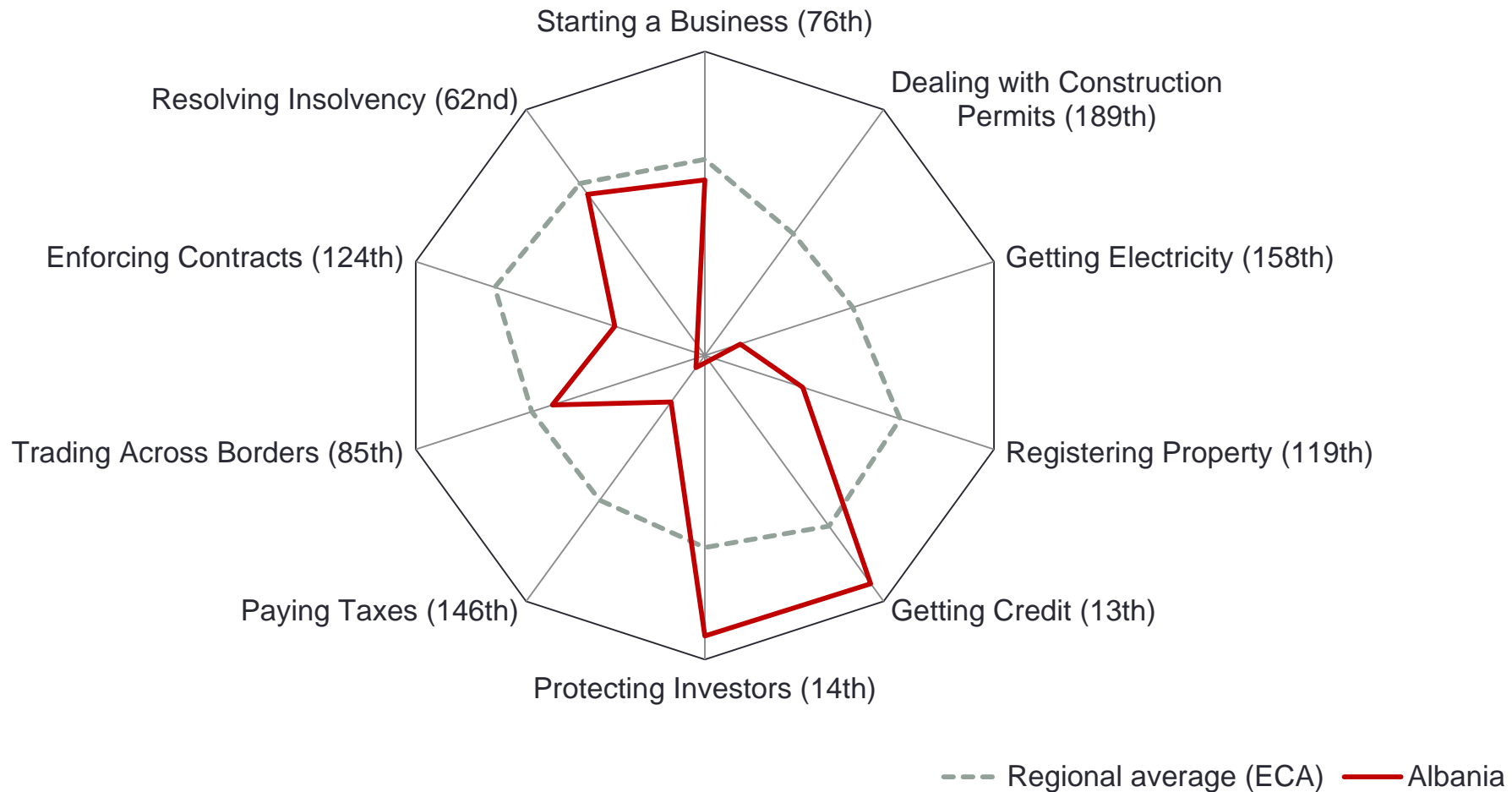


## *Priority 2 – Improve the Investment Climate and Global Connectedness*



*Albania in the mediocre middle in global rankings of “Doing Business”*

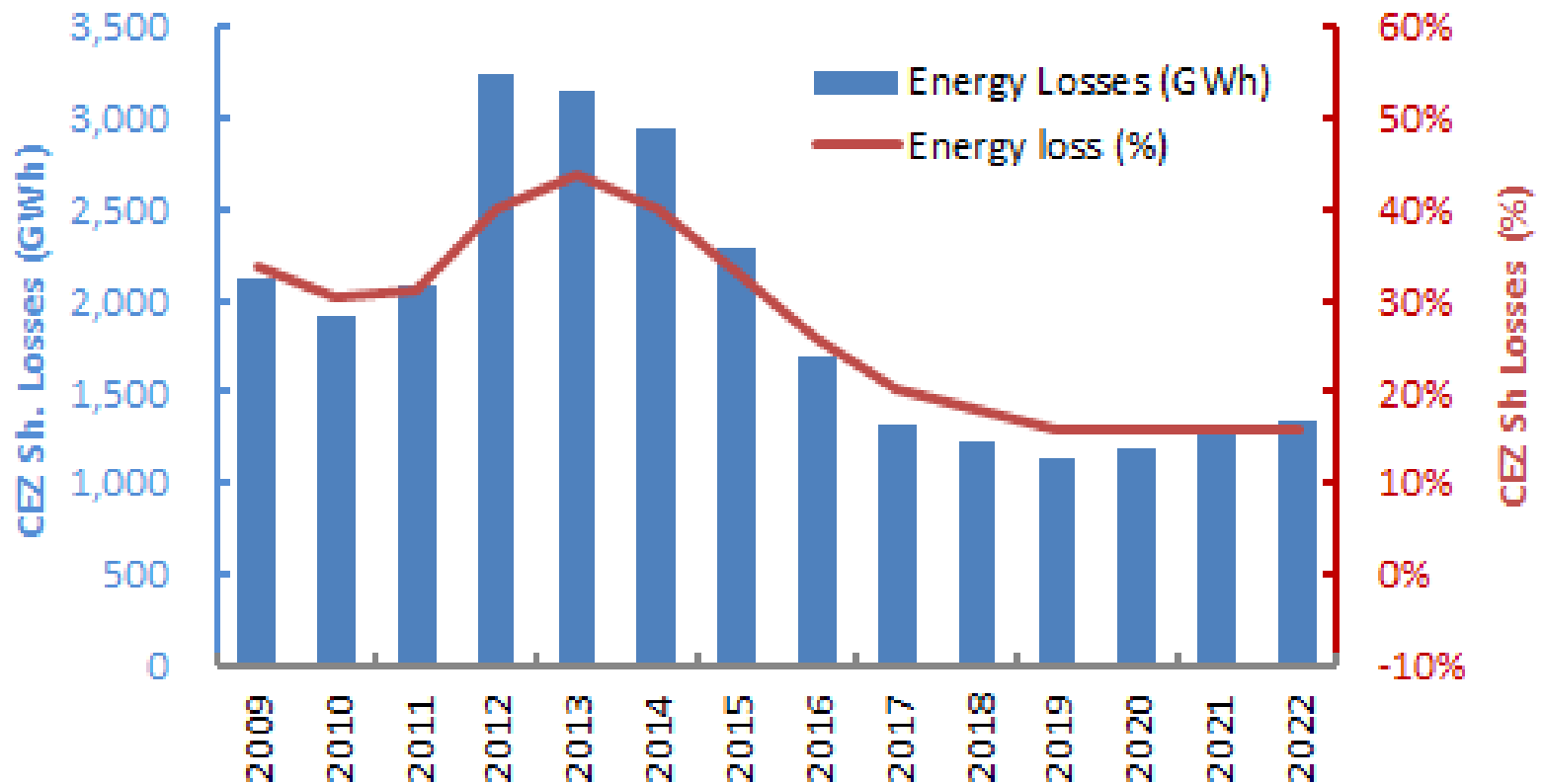
# Mixed performance on 10 Doing Business areas



## Priority 3 – Improve energy sector performance

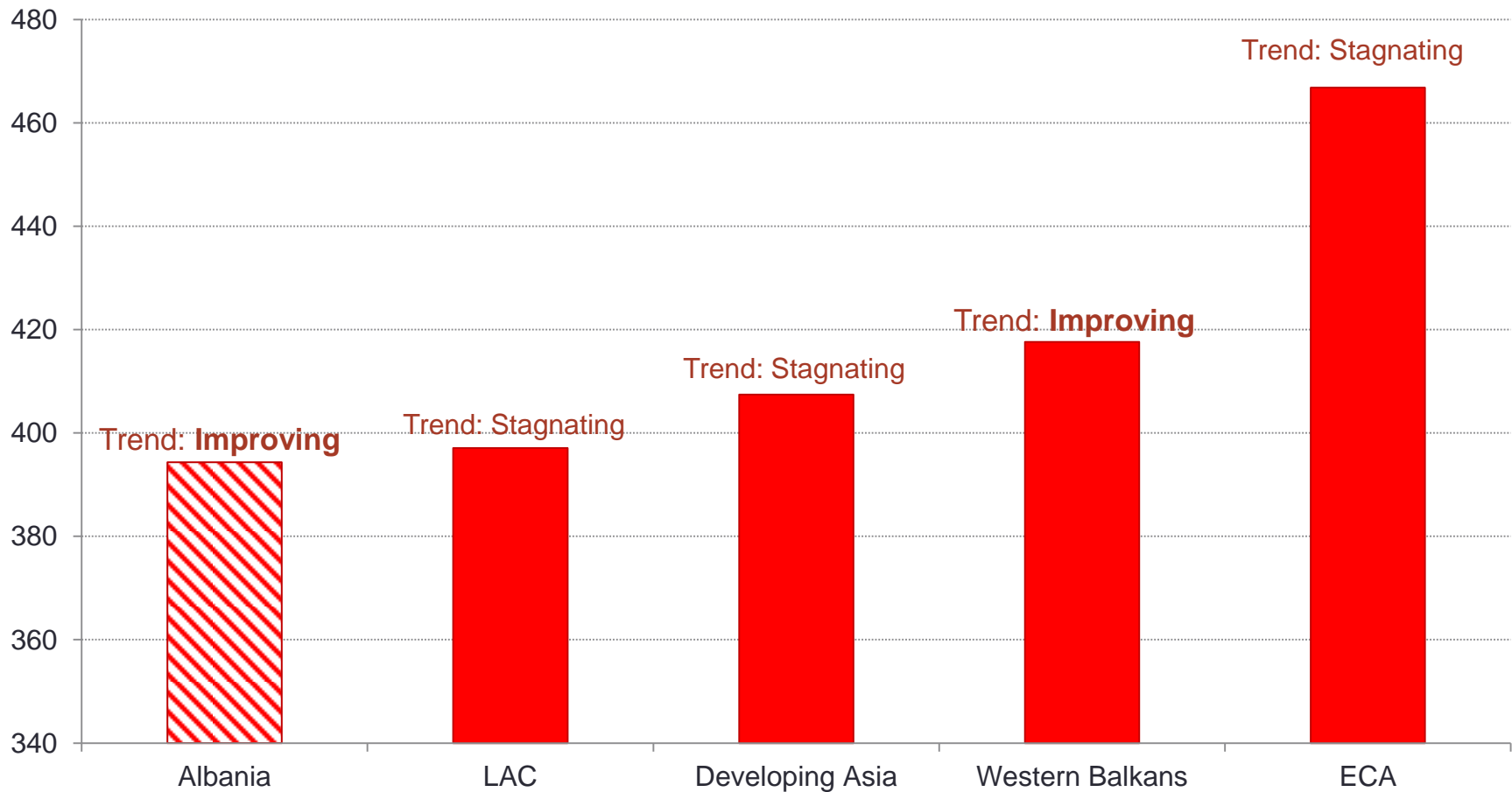
Technical and “non-technical” losses are more than 40 percent of energy generated.

### CEZ Sh. Energy Losses



## Priority 4 – Strengthening worker skills for “new economy” jobs

PISA scores in math test, 2012

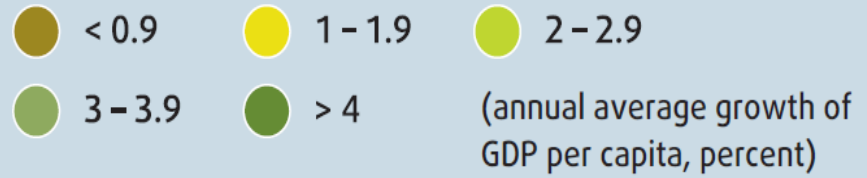


Source: PISA; Note: Developing Asia includes Indonesia, Malaysia, and Thailand  
Western Balkans includes: Albania, Montenegro, Serbia



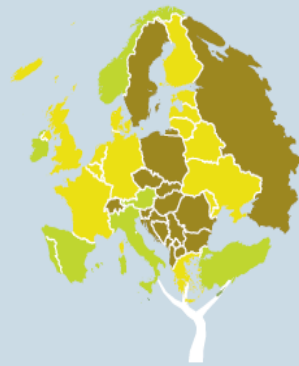
# *Gradual integration in the European economic bloc will drive a powerful convergence toward greater prosperity*

## Growth rate



**1950 to 1973** >

Western Europe converges toward the living standards of the United States



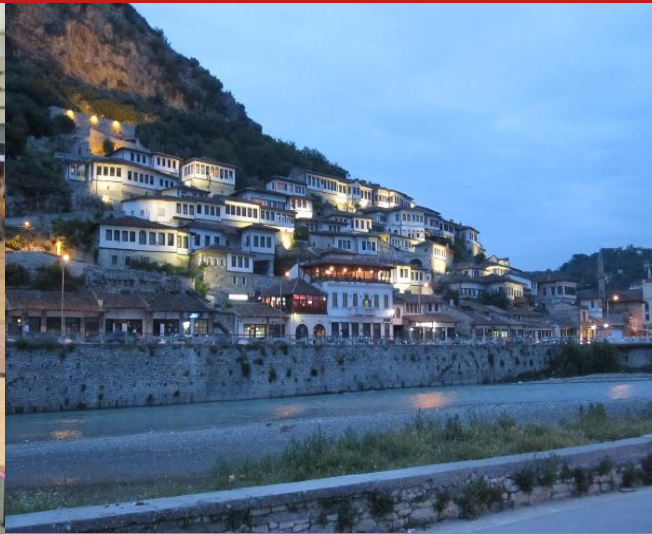
**1974 to 1993** >

Northern and Southern Europe converge toward the income levels of Continental Europe



**1994 to 2010** >

Eastern Europe converges toward the incomes and institutions of Western Europe



# THANK YOU

---

Ellen Goldstein  
World Bank  
Country Director for Southeast Europe  
[egoldstein@worldbank.org](mailto:egoldstein@worldbank.org)