

# Albania

**Background:** Albania declared its independence from the Ottoman Empire in 1912, but was conquered by Italy in 1939 and occupied by Germany in 1943. Communist partisans took over the country in 1944. Albania allied itself first with the USSR (until 1960), and then with China (to 1978). In the early 1990s, Albania ended 46 years of xenophobic communist rule and established a multiparty democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, dilapidated infrastructure, powerful organized crime networks, and combative political opponents. Albania has made progress in its democratic development since first holding multiparty elections in 1991, but deficiencies remain. International observers judged elections to be largely free and fair since the restoration of political stability following the collapse of pyramid schemes in 1997; however, most of Albania's post-communist elections have been marred by claims of electoral fraud. Albania joined NATO in April 2009 and in June 2014 became a candidate for EU accession. Although Albania's economy continues to grow, it has slowed, and the country is still one of the poorest in Europe. A large informal economy and an inadequate energy and transportation infrastructure remain obstacles.



## Basic Facts

|                               |                                 |
|-------------------------------|---------------------------------|
| <b>Population</b>             | 2,886,026 <sup>[1]</sup>        |
| <b>Area</b>                   | 28,748 km <sup>2</sup> (143rd)  |
| <b>currency</b>               | <u>Lek</u> (ALL)                |
| <b>GDP (Nominal)</b>          | \$12.204 billion <sup>[3]</sup> |
| Export Volume                 | \$1,929,657                     |
| Import Volume                 | \$4,320,219                     |
| Export to OIC Member States   | \$86,446                        |
| Import from OIC Member States | \$454,145                       |

**Economy - overview:** Albania, a formerly closed, centrally-planned state, is a developing country with a modern open-market economy. Albania managed to weather the first waves of the global financial crisis but, more recently, the negative effects of the crisis have caused a significant economic slowdown. Close trade, remittance, and banking sector ties with Greece and Italy make Albania vulnerable to spillover effects of debt crises and weak growth in the euro zone.

Remittances, a significant catalyst for economic growth, declined from 12-15% of GDP before the 2008 financial crisis to 5.7% of GDP in 2014, mostly from Albanians residing in Greece and Italy. The agricultural sector, which accounts for almost half of employment but only about one-fifth of GDP, is limited primarily to small family operations and subsistence farming, because of a lack of modern equipment, unclear property rights, and the prevalence of small, inefficient plots of land. Complex tax codes and licensing requirements, a weak judicial system, endemic corruption, poor enforcement of contracts and property issues, and antiquated infrastructure contribute to Albania's poor business environment making attracting foreign investment difficult.

Albania's electricity supply is uneven despite upgraded transmission capacities with neighboring countries. Technical and non-technical losses in electricity - including theft and non-payment - continue to undermine the financial viability of the entire system, although the government has taken steps to stem non-technical losses and has begun to upgrade the distribution grid. Also, with help from international

donors, the government is taking steps to improve the poor national road and rail network, a long standing barrier to sustained economic growth.

Inward FDI has increased significantly in recent years as the government has embarked on an ambitious program to improve the business climate through fiscal and legislative reforms. The government is focused on the simplification of licensing requirements and tax codes, and it entered into a new arrangement with the IMF for additional financial and technical support. Albania's IMF program may be at risk, however, because the government has not collected sufficient tax revenue needed to reduce the budget deficit. The country continues to face increasing public debt, exceeding its former statutory limit of 60% of GDP in 2013 and reaching 73% in 2015.