

Over the last decade, Albania has made significant progress towards a modern market economy and still has excellent development potential.

The country does not present any particular critical issues in terms of security and public order, which are suitably insured by the state.

Albania offers many investment opportunities due to the low cost of labor and low property prices and therefore represents a great potential market for European countries.

It should be emphasized that Albania has joined free trade agreements with the Balkan countries, increasing the opportunities for trade with the Region.

In 1994 Albania approved the law on foreign investments which offers various guarantees for foreign investors; the most important benefits are the following:

- No prior authorization is required in any sector for foreign investment;
- there are no restrictions on the percentage of foreign capital that the Companies participate in (100% ownership is permitted);
- foreign investments cannot be expropriated or nationalized either directly or indirectly, except in special cases of public interest defined by law;
- foreign investors have the right to transfer any financial resources related to investments from the Albanian territory;
- the most favorable treatment provided for in international agreements is applied.

Local law does not include any limitations based on the distinction between foreign and national investors, both in terms of legal activities and structures, and in the application of the tax system.

At the European Council in March 2020, the opening of negotiations for the country's entry into the European Union was unanimously approved.

Albania obtained candidate country status in the EU in June 2014 and since 2009 is a NATO member country.

Main reasons to invest in Albania

1. Favorable Investment Climate

Albania applies a liberal foreign investment regime with the goal of increasing foreign direct investment. The Law "On Foreign Investment" allows a 100% ownership for foreign companies and outlines specific protections for foreign investors.

Albania is committed to developing a stable and predictable business climate by continuing the implementation of overarching reforms, fiscal consolidation aimed at reducing the national debt, improvement of regional cooperation, investments into infrastructure, and reform of the educational system.

The Albanian government has also moved ahead with an ambitious economic and structural reform agenda which will contribute to a more attractive business environment: restoring growth, improving competitiveness

and creating new jobs. The new “Strategic Investment Law” provides maximum legal guarantees for foreign investors.

2. Competitive Labor Cost

Albania has the most competitive wage rates in the region and a highly productive workforce.

Competitive income tax, overtimes and social security.

Vocational training for specific sectors.

3. Young and Educated Workforce

46% of the population is under 35 years old.

116,994 students are enrolled in Albanian universities, in the academic year 2023 - 2024.

English, Italian and Greek are widely spoken, while French and German are taught in school.

4. Competitive Taxation and Inactivated Sectors

Competitive tax rates

Incentives for strategic investments, large-scale investments and regional investments

Albania 1 Euro – scheme

Other sectorial incentives

5. Advantageous Geographic Location

Albania has a strategic location in the western Balkans, at the crossroads of Europe’s major transit corridors, giving access to the world’s biggest trade in connection with European markets through various ports in the Adriatic and Ionian Sea and excellent road links with some of the Balkan countries such as Kosovo, Macedonia, Montenegro, Serbia, Greece, Bosnia and Herzegovina.

Albania is a bridge between northern and southern Europe with a growing network of transport links such as ports, roads, railroads and airports.

6. Strong and Continuous Growth Potential

The Gross Domestic Product (GDP) in the first quarter of 2024 is estimated to increase by 3.63% in real terms, compared to the first quarter of 2023.

Referring to data from the Bank of Albania, the FDI trend in terms of flow, for the period January - March 2024 (T1), the flow indicator marks the value of €354 million, the highest historical level for this period of the year. Compared to the same period of the previous year, when the flow was € 307 million, an increase of 15.3%, or € 47 million, is observed.

For the period January - March 2024 (T1), the stock indicator marks the value of €13.7 billion. Compared to the end of the Q4 period of 2023, when the stock was around € 13.3 billion, an increase of 3.2%, or € 431 million, is observed.

7. Free Trade Agreements (FTA) To Larger Markets

Albania has signed several free trade agreements (FTA) with key markets (European Union, Turkey, CEFTA, EFTA countries), offering customs free access to a large consumers market.

Albania is part of the General System of Preferences, which is an asymmetric preference system, according to which some states like: Australia, Belarus, Canada, Iceland, Japan, Kazakhstan, Norway, Switzerland, New Zealand, USA and the Russian Federation grant preference to originating goods exported from developing countries, but not vice versa.

Countries where Albanian preferential origin goods can be exported under preferential tariff treatment according to GSP are: Australia, Belarus, Japan, Kazakhstan, New Zealand, USA and the Russian Federation.

8. Macroeconomic Stability

The situation in Albania is characterized by low prices, the level of inflation and the exchange rate.

Albania follows monetary policies that aim to promote low interest rates and favor the growth of lending to the economy.

In July 2024, the inflation rate was 2.1%.

The unemployment rate for the period Q4 - 2023 is 10.7%.

SECTORS

Tourism

Travel and tourism are among the most important sectors and with a great weight for the Albanian economy, both in terms of money and employment, but also for its positive forecasts of further growth.

The tourism sector in 2020 recorded a direct contribution of 321.3 billion ALL, with a total contribution of 17.4% of the total economy, positioning this sector as one of the main contributors to economic development. This mainly reflects the economic activity generated by such industries as: hotels and other accommodation structures, travel agencies and tour operators, airlines and other modes of passenger transport.

In 2020, the tourism sector created 226,100 new jobs, which constitutes about 20% of the total employment in Albania.

Manufacture

Albania has a strong and vibrant manufacturing sector, which is led by quite successful enterprises in the textile and footwear industries.

Having this excellent experience and skilled workforce, Albania offers great potential to diversify its economy, moving from the textile and footwear industry to the automotive industry.

Key facts of the manufacturing sector

Continuous growth of the sector's exports over the last few years;

The manufacturing sector has been continuously diversifying the range of its exports, as shown by the increase in exports of machinery, equipment and spare parts by 38% from 2021 to 2022.

Cost-competitive fashion manufacturing industry driven primarily by the production of high-quality leather clothing and footwear;

Significant expertise accumulated in this field over the past 20 years

Partnerships with the most popular companies and retailers across Europe.

The main markets are Italy, Germany, Greece, France and the Netherlands.

Energy

Albania has a very favourable geographical position, among the shortest routes that pass from the Western Mediterranean to the Balkans and Asia Minor, as a result it has a significant potential for renewable energy sources such as: sun, wind, water, biomass and geothermal resources.

The use of these resources constitutes a long-term strategy for the implementation of three objectives such as: support for general economic development; increasing security of energy supply; and environmental protection.

In 2023, according to EUROSTAT, Albania had the highest share of renewable sources in the gross final energy consumption from the Western Balkans (46.60%), an increase of 13.44 pp compared to 2013.

The main instruments of Albanian energy policies include the harmonization of the legal framework of the energy sector with European directives, consumer protection, promotion of energy efficiency and increased use of renewable resources. Energy planning is based on lower cost and encouraging private and public-private investments.

Furthermore, it is part of the Trans-Adriatic gas pipeline project (called TAP) which will allow the inflow of natural gas throughout Western Europe.

Agriculture

Agriculture is one of the most dominant sectors of the economy with a high development potential, constituting the main source of income and employment in the country. The contribution of the Agriculture sector to GDP is 16.8% and this sector employs about 34% of the country's population.

The main objectives in agriculture are to improve irrigation and drainage systems, improve the food security chain and increase the competitiveness of agricultural products.

The Albanian government intends to transform the "Made in Albania" brand into a certified and trusted brand in the international market.

TEDA- Technological and economic development area

The Government of Albania seeks developers and investors to create world-class TEDAs on land areas in Spitalla, Koplik and Kashar. As currently envisioned, future developers will be offered exclusive development and operator rights on these properties, through a long-term lease.

The areas are in close proximity to a skilled labor force, educational institutions, and city centers with sizable populations. Developers and investors will benefit from Albania's competitive, educated and multi-lingual labor force, as well as recent reforms that have improved the country's business climate and competitiveness.

These include steps to strengthen the conditions for investment and improve business and transportation linkages, especially in Europe. These initiatives make Albania an exciting venue to work in the region.

ICT & BPO - Information and Communications Technology (ICT) and Business Process Outsourcing (BPO)

The potential of Albania as one of most preferred destinations for ICT-BPO services came into light in 2000 as a developed market and regional power in the Balkan.

Albania has transformed into a major destination for ICT-BPO services with its urban culture, availability of resources, infrastructure and attractive Investment Incentives.

Tirana is the main ICT-BPO hub of Albania, followed by Durrës, Shkodër and Vlorë. The ICT-BPO sector in Albania has seen steady growth since its inception, increasing employment and reaching industry values that exceeds \$130 Million.

Foreign Direct Investments

Albania offers a very friendly legislation as regards to foreign investors. The Law "On Foreign Investments" is based on the principles of equal treatment, non-discrimination and protection of the foreign investments. According to the Law:

There is no need for prior authorization from the government for the foreigners that want to establish a business in Albania

There are no limitations in the share of foreign participation in Albanian companies and 100% foreign ownership is possible

Foreign investors have the right to expatriate all funds and contributions of their investment, in kind

They are permitted and treated based on conditions not less favorable than those afforded to domestic investments in similar circumstances, except land ownership, which is regulated by special law

In any case, foreign investments are not treated any less favorably than foreseen by generally accepted norms of international law

A company with foreign investment participation has the right to employ foreign citizens as well

Foreign investments are protected by law from direct or indirect expropriation or nationalization measures, except for special cases defined by law in the interest of public use

In all cases and at any time, investments are treated equally and impartially, and enjoy complete protection and security.

Law on Foreign Direct Investments, No. 7764, dated November 2, 1993