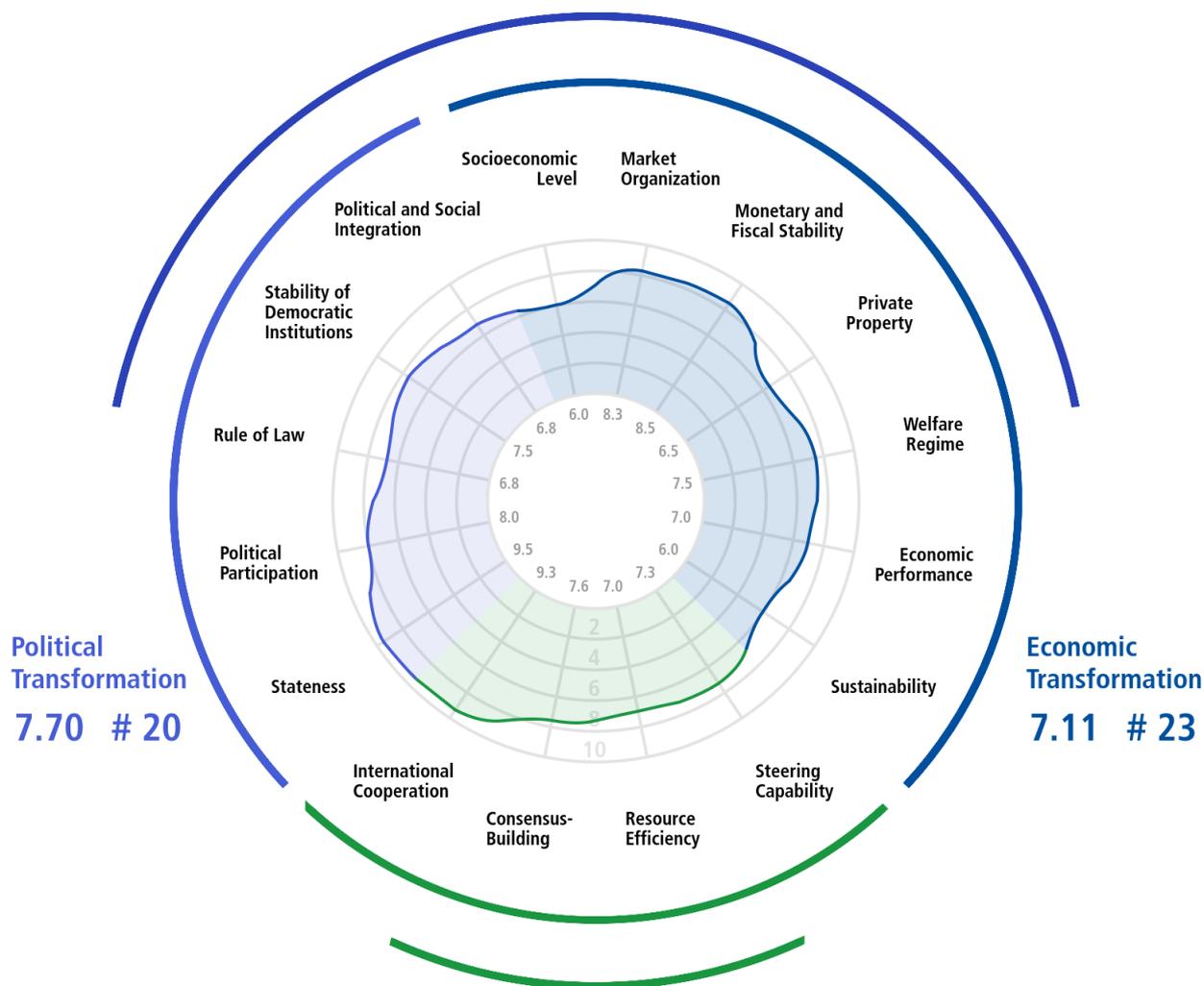


Albania

Status Index

7.40 # 18

on 1-10 scale out of 137



Political Transformation
7.70 # 20

Economic Transformation
7.11 # 23

Governance Index

6.71 # 11

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	2.7	HDI	0.810	GDP p.c., PPP \$	23488
Pop. growth ¹	% p.a.	-1.1	HDI rank of 193	71	Gini Index	29.4
Life expectancy	years	79.6	UN Education Index	0.742	Poverty ³	1.5
Urban population	%	65.4	Gender inequality ²	0.107	Aid per capita \$	131.3

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the review period, Albania accelerated its pursuit of EU membership by opening negotiations on Cluster 1 (Fundamentals) and Cluster 6 (External Relations). This rapid progress in negotiations reflects focused, concrete results in key areas targeted by the talks, as well as the wider EU enlargement conditionality – democratic institutions, the judiciary, public administration and economic criteria – and other areas covered by the extensive *acquis communautaire*. In particular, ongoing reforms, including strengthening specialized units targeting organized crime as well as other law enforcement agencies, have reinforced state authority, advanced the rule of law by dismantling the myth of the “untouchables” and solidified the overall performance of democratic institutions.

Significantly, Albania has performed well in terms of fiscal stability – a lower budget deficit, a shrinking debt ratio and falling inflation. This is due mainly to strong economic performance, including solid GDP growth, the highest GDP per capita on record and increasing foreign direct investment. Economic growth has also enabled the government to channel more funds into social development, the welfare system and sustainability, as well as economic restructuring – such as digitalization, and public and business services – along with better planning. Achievements include improved governance performance, particularly the government’s ability to set priorities and act as a credible international partner.

However, Albania continues to suffer from long-term structural challenges that threaten to undo its achievements. Institutional progress tends to be feeble and even reversible. For example, the institutional framework for ensuring free elections has been subject to constant change, including during the review period. Moreover, the electoral process remains hampered by political mistrust, polarization and political control of the electoral administration. A further challenge that cuts across all areas of institutional reform is the prevalence of political and patronage networks, which undermine meritocracy and bureaucratic expertise. Almost all investigations into high-level

corruption to date have revealed the prevalence and role of patronage networks – where high-ranking politicians appoint political associates to key positions, enabling the diversion of state contracts and resources toward family members, connected businesses and even criminal networks.

Another significant challenge specific to Albania, affecting almost all areas of reform, is the role of the international community and the lack of local ownership in the reform process. For example, the large-scale judicial reform, primarily funded and monitored by international actors, reached a critical juncture with the end of the internationally monitored vetting process in 2024. The European Union’s 2024 annual report highlighted the inefficiency of the local structures responsible for appointing and evaluating judges. Thus, the very actors who had invested political power, substantial amounts of money and human resources, and who had been directly involved for a decade, found that the domestic institutions responsible for maintaining the reform’s results were incapable of doing so.

As of early 2025, troubling signs have emerged regarding the future of reform. These include inconsistent judicial rulings in high-profile investigations, stagnation in important cases mentioned in previous reports, lack of accountability for members of the judiciary found to possess unjustified assets, and leaks of sensitive investigative data to select political and media organizations.

History and Characteristics of Transformation

Albania’s history is often associated with legacies that have weighed on and slowed political, economic and governance progress. On the eve of regime change in the 1990s, the country was characterized by a dearth of factors commonly associated with a successful democratic transition – a lack of democratic experience, a long experience under a totalitarian communist regime, a chaotic transition, a lack of democratic leadership with the vision and experience to pursue regime change, a lack of autonomous social groups, and economic underdevelopment in general.

The communist regime, which ruled the country for more than 40 years (1944 – 1991), from the start became one of the most maverick totalitarian regimes ever built in the communist world. Through Stalinist methods of repression, the regime wiped out all sources of dissent, depriving the country of organized movements and leaders with democratic ideas or experience. Consequently, the regime collapsed under the pressure of chaotic and, at times, violent protests, which left behind a weak state, collapsing institutions, a distrustful population, a crumbling economy, an antagonistic style of politics and a lack of sociopolitical or economic actors with the experience to lead the country toward democracy.

In 1997, Albania’s difficult transition was, perhaps predictably, punctuated by a major institutional crisis and the collapse of the state. During the first half of 1997, Albanian citizens took to the streets to protest the “anti-communist” government, which by then had degraded into one-man rule that relied on the country’s security forces and a personally controlled patronage system to

consolidate a system reminiscent of the previous one-party rule. The mismanagement of the economic transition – marked by pyramid schemes, a corrupt privatization process and illegal trade, particularly with the former Yugoslavia (under embargo at the time) – hollowed out the initial economic reforms. The Ponzi schemes that mushroomed between 1995 and 1996 became a symbol of the country's early post-communist economic development. When they collapsed in 1997, so did the very feeble economic and political architecture of the early transition.

The country had to embark on yet another transition – this time, however, amid an acrimonious political atmosphere, a polarized society, the absence of state institutions, and the lack of even minimal social and security services. International intervention was necessary to bring about any sense of normalcy and jump-start a new wave of institution building. However, alliances between key political structures, illicit businesses and organized crime (which flourished during this chaotic and unruly period) shaped a long-term feature of the Albanian transition – namely, state capture by an extensive and deep-rooted patronage system that is politically controlled and orchestrated.

Consecutive Albanian governments continued to exploit the state as property to be distributed among family and political cronies through a patronage network embedded in state institutions. Over the next two decades, the country saw a boom in illegal activities – theft of electricity, the occupation of public spaces, illegal construction, widespread corruption, abuse of the tax system and a “solve-it-yourself” type of behavior – tolerated by state institutions so long as one served the party in charge. The vetting system within the judiciary has revealed the extent of such illicit activity, even within the very institutions intended to uphold the rule of law. International aid and support for institution building were often oblivious to such links, and at times instrumental in empowering politicians and networks in charge. Many of the judges who could not justify their wealth and proved inadequate in the post-2016 justice system were trained by, and deeply enmeshed in, the international projects and structures that have aided institutional reform since the beginning of the transition.

The Socialist Party majority (2013 – present) came to power with the promise of strengthening state institutions vis-a-vis the entrenched system of patronage, control and corruption that permeated the state at every level. The party has been in power ever since, allowing it political capital, stability and determination to pursue painful reforms, especially in the rule of law, but also in democracy, the market economy and good governance more broadly. Over this period, the country has recorded remarkable progress, recognized by the European Union's rapid advancement of the country's European accession bid, even as the European Union has shown reluctance to admit new members. Throughout, the country has emerged as a reliable Western partner and has benefited from the European Union's more ambitious geopolitical agenda to incorporate new members into its fold. Given its tangible progress and the European Union's more favorable view of its eastern candidates, the current government has ambitiously targeted 2030 as the final date to clinch EU membership.

The ongoing reform process has not been easy, smooth or linear. The governing majority has faced resistance from a range of political, institutional and even economic actors who are heavily invested in the system of weak institutions, strong patronage networks, and informal favors and services, including widespread corruption, that has permeated formal institutions throughout the

difficult transition. Importantly, the SP itself has embraced, rather than tried to escape, a key predicament of the Albanian transition – handing over major reforms to the international community – thus perpetuating a major weakness of Albanian institution building and the resulting lack of local ownership in the institutions built.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Albanian state has a monopoly on the use of force within its territory. During the period under review, state institutions consolidated efforts to combat groups that defy state authority, particularly powerful criminal networks that operate internationally.

The European Union's annual reporting on the issue has become highly specific in the context of EU membership negotiations and the renewed focus on rule-of-law chapters. Progress on the ongoing judicial reform – including strengthening specialized structures targeting organized crime, as well as other law enforcement agencies – has boosted the fight against powerful criminal networks. One such organized crime network involving police officers, prosecutors and businesspeople operating in Tirana, Shkodra and Kukës was brought down in July 2023. A similar network operating in the cities of Elbasan and Lushnjë was disclosed in September 2023. Another network operating in the cities of Elbasan and Tirana, and featuring connections between crime, the judiciary, business and even the current majority was brought down in November 2024.

A large majority of the Albanian population accepts and supports the legitimacy of the nation-state and enjoys access to citizenship without discrimination based on race, ethnicity, religion, gender or political reasons. Broad consensus on who is entitled to citizenship and what that entails is facilitated by the homogeneity of the population, 91% of whom self-identify as ethnic Albanian, according to the 2023 census.

Ethnic minorities enjoy equal citizenship and cultural rights, including the right to study and receive instruction in their mother tongue. Overall, the country has ratified and complies with most international conventions on fundamental rights. The status of minority rights is closely monitored by neighboring countries and various international organizations. The EU accession process has further motivated the continuous improvement of the legal and institutional framework to ensure equal access to citizenship without discrimination.

Question
Score

Monopoly on the
use of force

10



1

State identity

10



1

The post-communist Albanian state has gradually developed a country-specific framework for regulating state-church relations, which emphasizes the separation and independence of the two, while also encouraging collaboration on shared concerns. The model, commonly referred to as “laicite,” builds on legal and institutional equality among four traditional communities – Sunni, Bektashi, Catholic Christian and Orthodox Christian. They enjoy autonomy in running their administrative and spiritual affairs within a constitutionally defined framework of rights and restrictions.

The institutional accommodation of religion, however, ensures the total exclusion of religious dogma from the state’s legal order and political institutions. The model replicates, almost to the letter, the institutional innovations adopted by the post-Ottoman independent Albanian state, making it one of the few genuinely local and historically rooted attempts to organize the state.

A critical mass of Albanians – including opinion makers, politicians and citizens at large – show support for the Albanian model of laicite and the exclusion of religion from the public sphere. A recent proposal by the Albanian prime minister to create a Vatican-style seat for the Bektashi order of Sufi Islam in Tirana was widely criticized by key intellectuals for challenging the Albanian model of secularism. Centralized organizations representing each of the four traditional religious communities also tend to support the institutional separation and independence of religious communities from the state. Efforts by various transnational movements to import alternative models and ideals, including radicalized ideologies, have faced resistance among post-communist Albanians. Radical ideas, if any, are usually confined to marginal groups that operate in more globalized cyberspace or around specific authorities outside the administration of the centralized religious communities.

The administrative structure ensures the provision of basic services throughout the country. However, operations are at times inconsistent or ineffective, and are occasionally hampered by politicization, inadequate resources and widespread corruption. During the period under review, the country has expanded reforms in various areas – law enforcement, taxation, infrastructure, health care, electricity, education and regulation of property rights, among other things.

Access to safely managed sanitation has consistently improved and, as of 2022, stands at 56% compared with 37% a decade ago. Similarly, 70% of the population has access to safely managed water, while basic water access is 95.1%. Meanwhile, 100% of the population has access to electricity. In an effort to facilitate and improve the provision of state services, the governing authorities have made notable advances in digitalizing public services. Specifically, the government has expanded its online service offerings following the 2023 adoption of the law on electronic government. The existing 2022 to 2026 digital agenda serves as a comprehensive framework for digitalizing services.

No interference of religious dogmas

10



1

Basic administration

8



1

At the same time, public administration has been subject to a degree of centralization, which, in the case of Albania, tends to be a double-edged sword. On the one hand, it ensures political leadership, coordination and momentum, for example, through the formation of the Inter-institutional Working Group to Improve Public Services Offered to Citizens and Businesses in 2023. On the other hand, this tendency toward centralization exacerbates long-running issues, including politicization, lack of meritocracy and a general deficiency in bureaucratic expertise.

Basic administration also tends to suffer from insufficient investment, mostly at the local level. Several local governments are struggling financially and are on the brink of bankruptcy. The European Union's 2024 report noted that the delivery of quality public services at the local level remains limited. Relatedly, it rated improving local government units' financial resources, capacities and autonomy an immediate priority.

2 | Political Participation

Albanian political representatives are elected through competitive elections held periodically, featuring different parties and programs. Universal suffrage, secret ballot and media access are legally ensured. Registration procedures are transparent and fair. Electoral rules and relevant legislation generally conform to democratic standards and are supervised by an OSCE field presence with 97 employees, in addition to regular ODIHR election observation missions. The procedures are consistently revised to address ODIHR/OSCE recommendations that follow each local and national electoral cycle. Nevertheless, the electoral process is marked by various irregularities that stem from stakeholders' behavior, widespread distrust, and deep-seated patronage systems and associated services more generally.

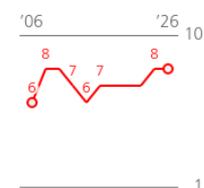
During the period under review, the country held local elections in May 2023. Voters elected 1,613 city councilors and 61 mayors from among 144 mayoral candidates fielded by 40 parties and coalitions. The ruling Socialist Party won the elections by a landslide. The opposition coalition Together We Win, led by the main faction of the Democratic Party and Ilir Meta of the Freedom Party, won the remaining seven municipalities.

Fredi Beleri, an ethnic Greek and winner of the 2023 Himara mayoral elections, was arrested and later convicted of vote-buying. Beleri claimed the arrest was politically motivated and Greece threatened to delay Albania's EU membership bid in response – even though the arrest followed an investigation by the Special Structure Against Corruption and Organized Crime (SPAK).

The 2023 polls exemplify the progress made but also the usual challenges that characterize Albanian elections. ODIHR and EU reports assessed that the polls were well administered and competitive, and that they ensured the participation of key

Free and fair elections

8



political actors. However, they also noted concerns regarding the misuse of state resources, claims of pressure on public-sector workers and voters, and allegations of vote-buying. Subsequently, an ad hoc parliamentary committee on electoral reform, initially set up in 2022, ended its mandate without achieving concrete results. A cross-party dialogue group followed up on electoral reform. The parliament adopted amendments to the Electoral Code with cross-party votes in June 2024. The amendments enabled out-of-country voting by the Albanian diaspora, and introduced partially open candidate lists (mixed candidate lists) and changes to the party quotient. Other OSCE/ODIHR and Venice Commission recommendations, particularly the de-politicization of electoral management structures, remain unaddressed.

Democratically elected political representatives enjoy effective power to govern. Particularistic groups and interests (e.g., powerful businesses, media groups, illegal criminal organizations and, in general, patronage networks) that have held considerable – even if informal – power at various junctures of transition have been increasingly pushed to the sidelines.

Still, it is not uncommon for informal groups to become enmeshed in and possibly shape decision-making processes within both local and central government. The increasing effectiveness of investigative structures has produced detailed evidence of the influence such networks and interests exert within governing structures. The 2024 investigations into a criminal network operating in the city of Elbasan, for example, revealed the underlying mechanisms: businessmen linked to the network secured large state contracts, while close relatives of high-ranking figures within the criminal hierarchy held key state positions. For example, the father of the arrested Roca brothers was the prison director, while their sister was head of the territorial development agency. The agency reports directly to the Prime Minister's Office and oversees building permits, making it a key target of money-laundering networks in the construction industry, where most organized crime money is reportedly concentrated. Notably, the head of the agency was appointed to the post without any obvious experience or expertise in public administration or territorial development, lending credibility to the debate on the influence of organized crime in key state policies and positions.

Association and assembly rights are guaranteed. The Albanian constitution enshrines a broad range of freedoms of assembly and association (Article 46). Residents and civil society groups can exercise these rights without government interference or restrictions. Accordingly, NGOs can register freely, manage their affairs and address all matters of public debate without state interference. Individuals are also free to form and join independent political or civil society groups.

Opportunities for exercising association and assembly rights have improved in the context of EU accession, as have the capacities of organizations to use these opportunities. The National Council for European Integration, a forum designed to

Effective power to govern

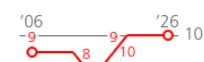
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Association / assembly rights

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incorporate civil society into the EU integration process, has expanded the legal space and opportunities for civil society groups in policymaking. The forthcoming European Integration Partnership Platform provides for the creation of consultation and discussion tables, increasing civil society groups' ability to exercise their association rights.

Freedom of expression is guaranteed, though subject to certain limitations. Albanian citizens, organizations and mass media can generally express their opinions freely. The constitutional framework ensures freedom of expression, media organization and the right to information (Articles 22 and 23). Consequently, the Albanian media landscape is dynamic, with newspapers in decline but television and online media remaining vibrant and influential.

In September 2024, the director general of the public broadcaster – often accused of being a political appointee and thus limiting the broadcaster's independence – resigned.

Still, there are a few challenges besides the legal framework that hamper actual media independence – high market concentration, overlap between business and political interests, lack of transparency in financing sources, as well as precarious working conditions for journalists. Specifically, media outlets, visual and print, are largely controlled by five family business groups. They use their stakes in various outlets to control information, and when necessary, to spread misinformation or blackmail individuals who speak out against their interests. Most are part of the political patronage system, shaping information to promote specific political agendas and public benefits. Business and political control of media groups also affects journalists' working conditions, and contributes to formal and informal harassment and even dismissals. During the period under review, several media employees filed complaints related to unpaid salaries and other compensation or wrongful termination with the State Labor Inspectorate.

Additionally, various politicians used defamation laws to file lawsuits against media outlets and journalists. Given political and business influence over information outlets, not all defamation lawsuits are meritless or a means of intimidation.

3 | Rule of Law

The separation of powers is established and operational. Checks and balances are sometimes subject to interference from various structures, but they tend to be restored.

The constitution guarantees the institutional separation of powers, and a rather elaborate system of checks and balances (Article 7). Formally, the president represents the unity of the state and shares responsibility for key nominations across the hierarchy of independent state institutions, including the judiciary. Historically, however, Albanian presidents have maintained a political profile and used their office

Freedom of
expression

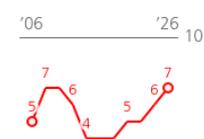
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1

Separation of
powers

7



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to serve specific political agendas, compromising the independence of the presidency in the system of checks and balances. Unlike his predecessors, the president elected in 2022, Bajram Begaj, has assumed a more neutral and unifying position, which has restored a certain credibility to the office. It has also had a calming institutional effect in the context of deep polarization, ongoing fights and even episodes of violence that continue to characterize the Albanian legislature and the political scene more broadly.

In contrast to the improving role of the presidency, the parliament has persistently failed to fulfill key functions, including scrutinizing the executive, serving as a forum for political debate, enacting legislative reforms and appointing some of the heads of key independent institutions, such as the ombudsperson. Between 2023 and 2024, ongoing conflicts among various opposition factions had a particularly negative impact on the reorganization and functioning of several standing parliamentary committees; some opposition requests to establish inquiry committees did not receive majority approval; most budgetary decisions were approved with little parliamentary input; the ad hoc committee on electoral reform faded away without any result; and elections to key positions, such as the ombudsperson, were politicized and delayed. Many legislative initiatives were produced by the Council of Ministers and approved without debate.

The judiciary is institutionally differentiated and formally independent. However, its decisions may still de facto be impaired by undue external influence, political connections or corruption. A major reform initiated in 2016, and heavily assisted by the European Union and the United States, has largely curtailed some of those influences.

The main plank of the 2016 reform – the vetting of about 800 members of the judiciary for unjustified assets, professionalism and links to crime – was completed in December 2024. The process resulted in 350 dismissals or withdrawals and 344 confirmations in office; a considerable number of cases are still pending appeal. However, only 19 cases involving indicators of criminal activity (unjustified property and dubious links to organized crime) were referred for prosecution. The question remains about the 330 remaining cases and why they were not properly investigated.

The conclusion of the vetting process and the removal of unqualified members mark a key milestone in the 2016 reform. However, this milestone has also exposed important cracks in the ongoing reform. Some – like a shortage of judges to fill the empty ranks and an increasing backlog of cases across the system – are the result of poor planning, or rather the necessary sacrifices of a major reshuffling of the entire system. The new judiciary map formulated in 2023 aims to address the existing shortages and backlogs. However, it seems to be another instance of institutional reshuffling that has historically produced instability and undermined bureaucratic expertise, ultimately reproducing the very problems it seeks to resolve.

Independent
judiciary

6

'06 _____ '26 10



1

Other weaknesses are typical of the lack of local ownership that marks internationally led reforms in Albania and other cases featuring heavy international involvement across the Balkans. The main one is the failure to build long-lasting institutions capable of safeguarding reform achievements after the withdrawal of their international guardians. In 2024, even the European Union – which has dedicated special focus, significant funding and numerous personnel to Albanian judicial reform – assessed that the efficiency and coordination of the structures responsible for appointing, promoting, transferring and evaluating magistrates – the High Judicial Council and the High Prosecutorial Council – are very low. The complexity of the new institutions is another dubious feature, which creates overlapping responsibilities and raises a big question mark over the reform’s future.

Altogether, the country’s capacity to safeguard reform at this critical juncture remains uncertain. The possible failure of such a grand-scale reform – held as an example for other countries – would be more than a reversion to the politically controlled and corrupt judiciary it aimed to address, given that the reform has subsumed substantial international and local sources, and empowered a new class of independent judicial “bosses” who are not subject to any accountability.

Officeholders who break the law and engage in corruption are increasingly being prosecuted. The 2016 judicial reform – particularly the creation of special institutions charged with investigating and prosecuting high-level corruption – has improved the necessary skills and capacities to investigate complex corruption cases.

During the period under review, impressive progress has been made in investigating and prosecuting officials for corruption, even though convictions have yet to follow. Investigations have reached previously untouchable figures, including Sali Berisha, a former president, two-time prime minister and leader of the Democratic Party, who is under investigation for the Partizani Football Club affair, which allegedly redirected millions of U.S. dollars’ worth of state assets into his son-in-law’s portfolio. Ilir Meta, a former prime minister and president, is under investigation alongside his ex-wife for undeclared and unjustified assets. Erion Veliaj, the serving mayor of Tirana and a prominent politician of the ruling Socialist Party, has been accused of having undeclared assets, as has his wife.

While these investigations have certainly broken the myth of the untouchables, they have progressed slowly. Well-known cases have yet to be pursued, while major proceedings demonstrate inconsistencies in the application of justice. For example, Berisha, while under investigation, remains politically active and campaigned for the 2025 election. Veliaj was arrested, and his political activity was interrupted, despite his case being poorly constructed and the alleged abuses being less severe. Consequently, Albanians question whether their reformed justice system has truly moved on from the old notion that “all are equal, but some are more equal than the others.”

Prosecution of
office abuse

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'06 _____ '26 10



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Controversially, in April 2024, the Albanian ruling party, in coalition with a section of the opposition, voted for an amnesty affecting the sentences of more than 400 individuals. Forty of those already convicted received a full pardon, while another 12 had their cases dismissed. Notably, the amendments did not affect major cases of abuse or the political figures mentioned above.

Civil rights are codified in law and generally respected by state institutions. Respect for civil rights is enshrined in the constitution, and in the international human rights conventions the country has ratified and generally complies with. This issue is closely monitored in the context of EU Chapter 23 on Judiciary and Fundamental Rights, which is considered one of the fundamental criteria that candidate countries need to comply with during accession negotiations. In 2024, the European Union assessed that the legal framework provides a generally good basis for protecting fundamental rights.

The Office of the Ombudsman, the main domestic institution that monitors enforcement of civil rights, has taken a proactive role on property rights, abuse of police power, unduly long judicial proceedings, inadequate prison conditions as well as living conditions for the Roma minority. The European Court of Human Rights, meanwhile, has found breaches of the European Convention on Human Rights concerning private and family life, the right to a fair trial, and the right to liberty and security. The country often struggles to implement the recommendations issued by the Ombudsman or the judgments of the European Court.

In some cases, members of the LGBTIQ, Roma and Egyptian communities continue to face informal discrimination. Gender-related violence remains an issue. The European Union's 2024 report suggests the country needs further progress in addressing violence against women, protecting property rights and the rights of persons belonging to minorities.

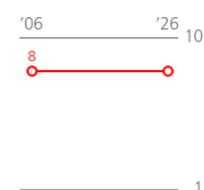
4 | Stability of Democratic Institutions

Democratic institutions are in place and, in principle, perform their functions, but they tend to suffer from political polarization and unruly conflicts. Counterproductive political fights continue to undermine the work of democratic institutions, and the system of checks and balances.

During the period under review, factions of the opposition adopted extra-institutional channels for conflict resolution, such as violent protests inside and outside the parliament, to advance their agenda. In fall 2023, a faction of DP engaged in violence against its parliamentary colleagues, among others. Such extra-institutional channels created concrete blockages and delays in the work of the parliament, especially its oversight of the executive.

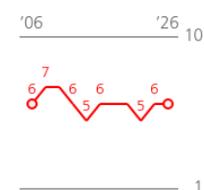
Civil rights

8



Performance of democratic institutions

6



Consequently, most legislative initiatives came from the Council of Ministers and were rubber-stamped by the parliament without meaningful discussion. Even a parliamentary commission dedicated to reviewing legislation and the state structure was created without the opposition's participation.

In the last few years, ongoing fierce political polarization that undermines democratic institutions has assumed a new dimension: a rupture within the opposition. One faction of the opposition has rallied around its historical leader, Sali Berisha, who is now officially under investigation for corruption but is still the party leader and in charge of a large part of the local structures; another faction has emerged around his former protege, Lulzim Basha, who accused Berisha of using the party as a shield to protect himself and has now moved to lead a new party section, which controls some of the local structures.

No relevant political or social groups contest the legitimacy of democracy and its constitutional setup. Following the experience of communist dictatorship, all social and political actors have embraced the ideal of democracy by consensus as the only viable system. Key political organizations, associated programs, regular institutional reshuffles, ongoing reforms and broader public discussions are commonly framed in the context of democratic progress and the advancement of European integration.

During the long post-communist transition, however, formal commitment to democracy typically went hand in hand with the control and instrumentalization of state institutions as political tools. This model of institution building became more pronounced when majorities enjoyed a significant parliamentary majority and also controlled the presidency – and, hence, the presidential nominees – across the key state institutions. The president elected in 2022 – who, unlike most of his predecessors, has an apolitical background – has set a positive example and represents a necessary step toward consolidating democratic institutions and their credibility.

5 | Political and Social Integration

The party system is relatively stable and partly rooted in society, with moderate fragmentation and volatility. However, polarization remains high.

In the past three decades, the country has consolidated a bipolar party system – the Democratic Party (DP) and the Socialist Party (SP) – which have alternated in power and maintained governing majorities for considerable periods throughout the democratic transition. The center-right DP, created as an umbrella group for various anti-communist groups, has since claimed to represent conservative anti-communist ideals. The SP traces its origins to the former Communist Party but has reformed itself according to European center-left ideals. The DP controlled the governing majority from 1992 to 1997 and 2005 to 2013; the SP from 1997 to 2005 and 2013 to the present. The Freedom Party (FP), formerly known as the Socialist Movement

Commitment to democratic institutions

9



1

Party system

6



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for Integration (LSI), split from the SP and has forged political alliances as necessary to maximize its governing power. Specifically, the FP entered a governing coalition with its ideological adversary, the DP, from 2009 to 2013 and with the SP from 2013 to 2017. Voter volatility, in terms of party entry and exit or volatility caused by vote switching across existing parties, is rather low. The two main parties have a consistent base of followers and well-consolidated structures, which to a large extent draw on the deep anti-communist/socialist ideological rift in society.

Divisions within the DP since 2022 – with at least three units now competing for the same party logo, program and often local structures – have also exposed another line of conflict: the dominant system of patronage and patron-client structures, which parties control and rely on to compete for votes and govern. These structures serve as an instrument to collect votes, control the state apparatus and shape state policies. A 2024 survey shows that about 62% of those surveyed believe the country is governed in the interest of certain groups rather than the majority.

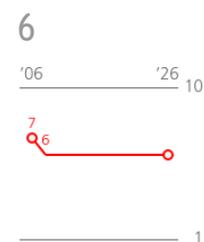
The array of interest groups is broad and reflects most social interests. Yet a few powerful interests dominate.

Post-communist Albania has developed a relatively rich interest-group scene, including associations, foundations and centers, although many are not active. Those that are active engage in a wide range of activities, including advocacy, monitoring and social mobilization, particularly in sectors such as social protection, human rights, environment and rule of law. They have also played an active role in assessing government performance and pushing for policy change, especially in the context of European integration.

The interest-group landscape still reflects the restrictions of the former totalitarian regime, particularly its total ban on autonomous groups. Given the ban on social activity, the idea and practice of civil society entered the country through Western donors' aid policies and concerns. Donor policies to stimulate civil society participation and to socialize people to democratic values have certainly enriched the public sphere and provided the funding necessary to pursue civil society action. Over time, some NGOs gradually grew into professional associations, lobbying for access, funds and policies. Still, most organizations tend to represent donor agendas and concerns rather than those of the society they seek to represent.

A 2023 UNDP survey on trust shows low, albeit growing, trust in civil society. Only 56% of those surveyed trust civil society, compared with 67% who trust religious institutions, 75% who trust the European Union and 77% who trust NATO.

Interest groups



Approval of democratic norms and procedures is fairly high. Having suffered one of the strictest totalitarian regimes in the communist world, Albanians have consistently embraced democracy and its key institutions. A 2024 survey by the International Republican Institute replicates previous findings – at least 80% of citizens believe that democracy is the best form of government.

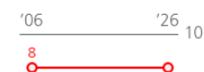
However, approval of the actual course and functioning of democratic institutions tends to be lower. The 2024 survey mentioned above shows that 6% of those surveyed were very satisfied, 43% somewhat satisfied and at least 50% dissatisfied with the way democracy is developing in the country. The UNDP 2023 survey on trust in governance further confirms relatively low trust in national democratic institutions such as the parliament (29%), political parties (25%), the president (35%) and the courts (34%). Albanians continue to show more confidence in international organizations such as NATO (76%) and the European Union (74%), than in central government (42%) and local government (43%). Nevertheless, the data also show a steady increase in trust in democratic institutions compared to previous years, as well as relatively high trust in newly created anti-corruption structures (60%), indicating some progress in how Albanians perceive current democratic developments.

Interpersonal trust is fairly high (at the level of the EU average, according to Eurobarometer data from 2020), and there is a substantial number of autonomous, self-organized groups, associations and organizations. In line with the structure of a traditional society, Albanians also tend to share traditional forms of solidarity based on blood, family, regional and clan loyalties. Those forms of solidarity and trust have historically provided networks of support and have proved important in the context of meager social welfare services during the transition to democracy. They have also been important sources of income for Albanian families in the form of remittances from a significant number of Albanian migrants in the West.

The 2024 survey for the International Republican Institute shows a trend toward building more modern forms of social capital. Specifically, Albanians' trust in institutions such as civil society and the media is growing, as is citizens' actual involvement and participation. Importantly, 58.7% of respondents – a majority – are willing to engage in volunteer work.

Approval of
democracy

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Social capital

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Economic indicators		2021	2022	2023	2024
Public debt	% of GDP	74.8	65.2	58.0	56.0
External debt	\$ M	11054.8	10420.2	11364.0	-
Total debt service	\$ M	886.1	705.7	848.7	-
Net lending/borrowing	% of GDP	-0.2	-6.1	-1.4	-
Tax revenue	% of GDP	18.1	18.1	17.8	-
Government consumption	% of GDP	12.8	12.0	12.0	12.8
Public education spending	% of GDP	3.0	2.7	3.1	-
Public health spending	% of GDP	2.9	2.8	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	1.2	1.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The institutional framework for market competition is robust, but the rules are not always consistent or identical for all market participants. In addition, the informal sector has shrunk but remains significant and a major impediment to fair market competition.

Since the end of communism, Albania has pursued an open model of economic development, resulting in limited barriers to factor movements. Prices are fully liberalized and the national currency, the lek, is fully convertible. State involvement in the economy is confined to a few strategic sectors, such as energy. As of 2023, state aid amounts to 0.37% of GDP, up from 0.25% in 2021, but it remains negligible.

The informal economy remains widespread and negatively affects the business climate. Informal employment is estimated at 29.4% of total employment and is particularly widespread in growth sectors, such as tourism, construction and agriculture. To reduce informality, the government has undertaken initiatives to advance digitalization, increase inspections and audits, and publicize awareness campaigns.

Corruption, irregularities in public procurement and unresolved property disputes also remain major factors that negatively impact market activities.

Market organization

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Competition policy rests on a well-regulated institutional framework that includes the independent Albanian Competition Authority (ACA) and related anti-monopoly legislation. During the period under review, the ACA, which is in charge of examining mergers and imposing fines on those that hamper market competition, has developed and enforced procedures against breaches of competition rules. The ACA issued 96 decisions, four of which concerned prohibited agreements, three concerned abuse of a dominant position and 53 pertained to concentrations. The European Union maintained that the ACA has the necessary capacities but that they should be further maintained and strengthened.

Still, competition policy is also hindered by extralegal issues that affect the economy as a whole – the large size of the informal economy, exemptions from open public procurement and other remaining irregularities in state procurement. The government’s increasing involvement in certain sectors through public-private partnerships (PPPs) could also weaken fair competition.

Open trade is crucial to Albania’s economy. The country has removed all quantitative barriers to foreign trade since 1992 and has introduced a range of tariff reductions since joining the World Trade Organization in 2000. Non-tariff barriers are also low to nonexistent. Albania participates in regional free trade agreements such as the Central European Free Trade Agreement (CEFTA) and demonstrates a high degree of trade openness. Preferential tariffs are in place for products from EU member states, CEFTA, EFTA, Türkiye and the United Kingdom.

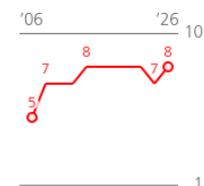
During the period under review, the country recorded overall export growth and a services trade surplus of 16%, driven mostly by tourism-related revenue. The country also took steps to improve interregional connectivity and trade-related infrastructure, particularly through new investments in infrastructure projects. The European Union remains the main trading partner, followed by CEFTA countries. Trade integration with the European Union is high. In 2023, trade with the European Union accounted for 57.7% of the country’s total trade (including 72.1% of total exports and 50.6% of total imports). Trade with CEFTA represented about 10.3% of total trade. However, trade with the European Union was down 5% compared with the previous year.

The banking system is well entrenched in international standards for functional supervision and minimum capital equity requirements. However, there is some vulnerability to sudden stops and capital flow reversals.

Extensive structural reforms in the banking sector date back to the collapse of the pyramid schemes, and the subsequent economic and political crisis in 1997. Subsequent reforms involved privatization of state-owned banks and liberalization of financial services. The central supervisory authority, the Bank of Albania (BoA), was empowered with the necessary instruments and administrative capacity to function as an independent entity and conduct efficient monetary policy. The banking sector is completely privatized, while foreign-owned banks own more than 75% of assets in the sector.

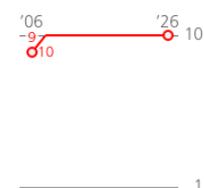
Competition policy

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Liberalization of foreign trade

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Banking system

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The period under review saw considerable improvements in banking sector capitalization – the aggregate capital adequacy ratio was 19.4% as of 2023, well above the 12% minimum requirement – while profitability also improved significantly due to higher net interest income. Importantly, the ratio of non-performing loans to total loans declined to 4.7% at the end of 2023, the lowest level recorded since the 2008 financial crisis.

8 | Monetary and fiscal stability

Monetary stabilization policies are harmonized with other economic objectives and institutionalized in a de facto independent monetary authority. The Bank of Albania (BoA) is fully independent in setting monetary policy.

In 2023, the BoA tightened its monetary policy by raising rates by 50 basis points to 3.25%. In July 2024, the BoA lowered the key interest rate by 25 basis points in light of declining inflation. Specifically, inflation continued to decline from 6.7% in 2022 to 4.8% in 2023 and to around 2.1% in the first two quarters of 2024.

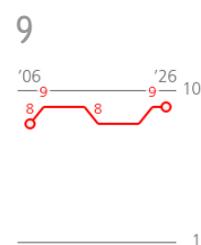
Monetary policy operates under a free-floating exchange rate regime. The value of the Albanian lek against foreign currencies is determined in the foreign exchange market, reflecting the free movement of goods and capital, and Albania's financial transactions with its trading partners. In 2023/24, the continued appreciation of the Albanian lek was driven by buoyant foreign exchange inflows related to a tourism boom, rising FDI and higher remittances.

The government's budgetary policies generally promote fiscal stability but lack strong institutional safeguards and are prone to ad hoc policy changes.

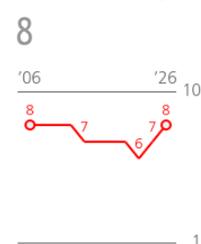
During the period under review, the country improved several dimensions of fiscal performance, particularly the budget deficit and public debt. In 2023, the budget deficit narrowed to 1.4% of GDP, mostly because of strong revenue growth. The government debt ratio fell below 60% and is projected to reach about 58% in 2024, both well below its pre-pandemic level. In 2023, revenues rose to 27.8% of GDP from 26.8% in 2022, driven by 10.6% year-over-year growth in tax revenue. The data reflect a positive primary balance and high nominal GDP growth, as well as improved management of public finances. The Economic Reform Program submitted to the European Union in 2024 emphasized the government's commitment to maintaining macroeconomic stability, achieving primary balance surpluses and abiding by the fiscal rules set out in the budget law.

Yet, contrary to rules for maintaining fiscal credibility, the country continued to amend the budget through normative acts rather than the regular legislative procedure. For example, the 2024 budget, adopted in December 2024, was amended in February and again in August 2024, both times through a Council of Ministers normative act. Such moves have long been criticized by EU monitoring bodies for weakening fiscal credibility.

Monetary stability



Fiscal stability



9 | Private Property

Property rights and related regulations are only partly defined and remain subject to many problems, including partial implementation and enforcement.

The period under review has seen some efforts to improve institutional planning and enforcement. The new Anti-Corruption Strategy for 2024 to 2030 and an action plan for 2024 to 2026 pay special attention to land and property management, and reform of the State Cadastre as sectors vulnerable to corruption. By 2022, the first registration was completed in most areas of the country. Some steps have been taken to digitize ownership titles and cadastral maps.

However, problems with property rights remain widespread, and reveal the nature of the country's social and economic development. Official estimates suggest that about 80% of registered property records are incorrect and 10% of the territory remains unregistered. Important laws on transitional ownership processes still need to be adopted. The property sector is highly exposed to corruption and mismanagement, while the occupation of public spaces is widespread and often politically tolerated. This problem characterizes all stages of transition. However, the current government's further pursuit of fast, extensive legalization of illegal constructions – a tacit formalization of illicit practices and a problematic redress of the violation of property rights – is an indicator of the political approach to the problem. That fast legalization accompanies the lack of restitution of properties confiscated during the communist era is another indicator of an uneven, problematic quick-fix approach to the problem. Resolving property issues usually requires going through all court instances, sometimes several times, and may take decades, while judgments ordering restitution of properties are often not implemented.

The European Union's 2024 report notes an extensive list of tasks that Albania still needs to complete in this regard, including correcting cadastral data, finalizing pending legalization and completing compensation for properties expropriated during the communist era.

Institutionally, private companies are regarded as important engines of economic production and are subject to a continually evolving institutional framework. The privatization of state companies does not consistently follow market principles, but is subject to continuous regulation under the oversight of EU integration mechanisms.

The state's stake in the economy is relatively limited, with the private sector accounting for over 80% of GDP and total employment. The proportion of public sector employment decreased to 14.5% in 2023. State-owned enterprises (SOEs) are limited to sectors such as water, energy and military equipment. The government authorities have focused on improving the legislation and services related to private enterprise. The Working Group on Public Services Offered to Citizens and

Property rights

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Private enterprise

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Businesses, chaired by the minister of justice and the minister of entrepreneurship, was created in December 2023. In 2024, the National Business Center developed certification standards for registered services. Amendments to the Law on Start-ups in Innovation were passed to ensure the law covers digital nomads. The Business House was created to facilitate dialogue between the minister for entrepreneurship and other line ministries, and private stakeholders.

Still, the informal economy, corruption and a lack of transparency in public procurement, as well as a lack of clear ownership of property titles, pose many challenges for private enterprises. Informal employment accounts for 29.4% of total employment and is especially pronounced in areas such as tourism, which has grown in recent years. The EU monitoring report notes that significant challenges remain regarding increasing VAT registration, reducing undeclared work and wages, and reducing tax fraud. In general, the country is asked to reduce the regulatory burden, increase business participation in funding programs, reduce the informal economy and corruption, and increase business support services.

10 | Welfare Regime

Social safety nets have developed and are progressing, but they do not cover all risks for all strata of the population.

At least 20.6% of the population remains at risk of poverty (INSTAT, December 2023). However, this risk decreased by 1.6 percentage points compared with the previous year. The government has also introduced measures to improve the institutional framework and provision of services to tackle poverty. These include the adoption of the new National Strategy for Social Protection in March 2024; the development and implementation of targeted programs for recipients of economic aid, including people with disabilities; and a projected 7% annual increase in the Social Fund for the period from 2024 to 2026.

The health care system is mostly public, funded by mandatory health care contributions shared by employers and employees, and subsidized by the state budget. Since 2013, the government has implemented universal health care coverage that includes free family doctor visits, reimbursable drugs and medical checkups for all, insured and uninsured. The system covers public services and some services provided by private providers. Public health expenditure in 2023 was about 2.8% of GDP. For the first time, the country has piloted an electronic system to collect and report health information from medical records.

The pension system is funded by contributions from employees and employers. The state covers the deficit. Pensions consist of a basic pension and a supplementary pension. The system faces many challenges, including low pensions due to insufficient contributions and a large informal economy, businesses underreporting wages, and limited unemployment benefits. A new law on private pension funds was adopted in 2023.

Social safety nets

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Formally, women, and members of ethnic, religious and other groups have equal access to education, public office and employment. For example, there are a number of legal provisions against potential discrimination. However, the implementation of these provisions remains insufficient.

The literacy rate in the country is 98.5%. The enrollment ratio is 93.7% in primary education and 96.3% in secondary education, both above the world average. Access to education for female students is also relatively high and at the tertiary level it is higher than the rate for men.

Albania has taken various measures to fight discrimination, including in the context of the EU negotiation process and the extensive *acquis communautaire* on equal opportunities. The Commissioner for Protection against Discrimination has become increasingly active in employment, services and hate speech. The government has applied gender-responsive budgeting, integrating gender into a majority of budget programs. Since 2021, the country has had a majority-female cabinet (with women comprising 12 out of 17 cabinet ministers), making Albania one of the leading countries globally for female representation in government.

Still, problems remain related to *de facto* discrimination, particularly regarding access to social protection services and health care for women living in remote areas, as well as Roma, Egyptians and LGBT individuals. Increased administrative capacity and significant improvements to existing infrastructure are necessary to improve the living standards of marginalized groups.

11 | Economic Performance

Albania experienced a strong post-COVID-19 rebound and continued economic strength afterward. In 2023, GDP grew 3.4%, with similar rates forecast for 2024. GDP per capita reached a record €15,600 in 2023. It increased from 31% of the EU average in 2021 to 35% in 2023. Growth has generally been driven by rising inflows of foreign direct investment, which rose 4.8% in 2023. The main areas of FDI growth are financial services, the insurance sector and real estate. These sectors are expected to be the backbone of future growth and the expansion of the domestic market.

During the period under review, inflation continued to decline from 6.7% in 2022 to 4.8% in 2023 and to around 2.1% in the first two quarters of 2024. The improved inflation rates, when combined with excellent growth and improved fiscal performance, are expected to promote economic stability and investment growth.

Equal opportunity

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Output strength

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12 | Sustainability

Environmental concerns receive some consideration but are often subordinated to economic growth; for example, the country struggles with air pollution. While regulations tend to be weakly enforced, the country has made strides in complying with the European Union's detailed and multifaceted environmental regulations as part of its accession process. Importantly, every aspect of environmental policy is now monitored annually and closely analyzed by various EU bodies.

The country relies almost exclusively on hydroelectric power, but the government is working toward diversifying its energy sources to include renewables, particularly wind and solar energy. In 2024, an ongoing plan to expand photovoltaic plants has moved to the selection of relevant companies offering a total of 300 MW. Some of those energy- and environment-related projects have been the subject of corruption investigations, and the country still needs to establish the necessary administrative resources and expertise to develop its environmental policy.

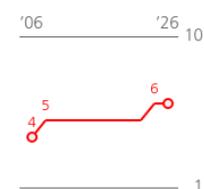
Albania has developed comprehensive climate strategies but faces implementation challenges. In 2024, the European Union assessed that the country's capacity to incorporate climate change into sectoral plans remains limited. The European Union recommended the development of an institutional structure capable of better coordinating and planning environmental investments, improving the quality of investment preparation and implementation, and increasing financial and administrative resources.

The government has undertaken several efforts to improve education standards, but the country still has much to do to catch up to EU standards. The quality of educational and research institutions is particularly poor in terms of research allocations and output.

The recent Strategy of Education and Action Plan (2021 – 2026) aims to improve quality, inclusiveness and equity at all levels of education. Other legislative acts to improve higher education were adopted during the period under review. The country has also developed a vocational education and training network, although the number of students enrolled remains low (17.8% of upper secondary students in 2023). New programs to subsidize the development of digital skills and coding for the unemployed were adopted in 2023. Increases in teachers' salaries increased education spending as a share of total government expenditure in 2024. The National Strategy on Scientific Research, Technology and Innovation (2023 – 2030), adopted in 2023, also aims to tackle low research capacities.

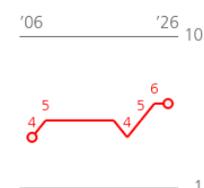
Environmental policy

6



Education policy / R&D

6



Still, the country's U.N. Education Index score tends to be lower than those of other countries in the region (0.739 in 2022). Public spending on education in 2023 was 3.33% of GDP, lower than the EU average of 5%. Funds allocated for research and development rose to 0.08% of GDP in 2023, up from 0.05% in 2022, but remain far below the 1% of GDP target by 2030. Participation in the Horizon program continued to improve in 2023, with 11 projects receiving a total of €2.1 million in funding. However, this was lower than regionally and significantly lags behind other countries participating in the program.

Governance

I. Level of Difficulty

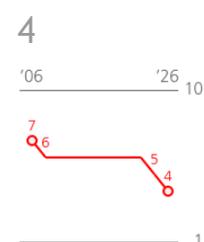
The structural constraints on governance are relatively low. Traditional constraints – poverty, education, location, infrastructure and natural disasters – are not crucial and have steadily improved. The country's record economic growth, driven largely by tourism, demonstrates its advantages regarding these traditional constraints – relatively good education, excellent geographic location and significant potential for further tourism development.

More country-specific constraints – such as the legacies of the totalitarian regime and the challenges of an unruly transition – have also declined. Specifically, the outgoing communist regime systematically obstructed the development of experienced leaders and organized movements capable of steering the country's democratic transition. Not surprisingly, the regime change was marked by persistent political and economic crises, weak institutions, political mismanagement, a form of antagonistic revolutionary politics and a resort to extra-institutional channels of conflict resolution, including violence. Some of those trends – including periodic political crises, extra-institutional fights and even parliamentary violence – have occasionally popped up during the period under review and threatened to slow progress. For example, it is not uncommon for key members of the opposition to threaten and occasionally incite violence in response to specific political developments.

Economic development has also reflected the difficulties of the transition from an extremely centralized, autarkic model to a market economy. Early growth was driven by foreign assistance, high remittances and smuggling rather than by genuine economic restructuring or the development of market institutions. Although the country has undertaken massive economic restructuring and has achieved record growth, some past legacies, such as reliance on foreign assistance and remittances, remain key features of a weak system of economic development.

Finally, both the very chaotic and unruly transition, and the internationally sponsored mode of development have created a series of long-term constraints, including a general dependence on the international community to sponsor and maintain democratic institutions. For example, in 2024, the large-scale judicial reform exposed the lack of domestic institutions to monitor, promote and replace judicial staff, resulting in insufficient local capacity to ensure the reform's resilience.

Structural
constraints



The development of civil society in terms of public engagement, a culture of participation, the number of active civil society associations and general social trust is shaped by both the nature of the past totalitarian regime and international democratization efforts following the fall of communism. Specifically, the communist regime adopted a uniquely restrictive policy toward civil society action by outlawing all independent organizations and penalizing any slight dissent, including citizens' private choices such as literary preferences or hairstyles.

Since the fall of communism, foreign assistance and donor support have helped create a relatively active NGO sector. However, they have also shaped a particular form of civil society engagement that is associated more with donor priorities than with society or its concerns.

Albanians, consistent with a lack of civil society tradition, tend to trust family and friends more than formal institutions or civil society organizations.

The continuous improvement of the institutional framework for the inclusion of civil society in policymaking and the ongoing accession negotiations with the European Union have created new opportunities for civil society action, including new funding channels and avenues for civil society participation in policymaking, especially on issues of European integration. Albanian citizens are also showing more interest in volunteering and increasing trust in civil society action.

Yet, shaped by the lack of civic culture and of donor support, civil society has yet to develop institutional capacities, voluntary networks, and a mission that would make it sustainable and rooted in the society it seeks to represent.

The Albanian population, 91% of whom self-identify as Albanians (2023 census), lacks the typical ethnic and religious divisions that ignite conflicts in neighboring Balkan countries. Still, political divisions embedded in local rifts and patronage networks tend to create a polarized sociopolitical atmosphere prone to ongoing extra-institutional fights, political crises and instability.

The review period was marked by the usual divisions and polarization between the two major political blocs and their followers – the ruling Socialist Party and the main opposition, the Democratic Party. Another conflict has emerged within the Democratic Party between factions aligned with the party's historic leader Sali Berisha, his longtime protégé Lulzim Basha and another group of DP deputies who oppose both. Ultimately, the struggle centers on control over the party's structures, its base of supporters and parliamentary representation, with tensions intensifying as the 2025 elections approach.

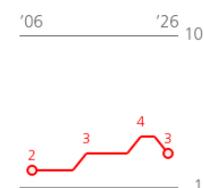
Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

The government sets strategic priorities, though at times it has difficulty coordinating its policy measures.

The government, much like its predecessors, has clearly set its priorities in line with the major goal of European integration. The accession negotiations, which began in July 2022, quickly moved to the conclusion of the screening process in November 2023, then to the opening of negotiations in 2024 on several chapter clusters, including the main cluster of fundamentals. Within the framework of accession negotiations, the country has received a set of priorities and conditions with specific timelines in each area of the extensive *acquis communautaire*, as well as for democracy, market economy and governance more broadly. Given the country's drive to clinch accession by the ambitious date of 2030, the government has set all its priorities in line with the EU accession agenda.

Accordingly, the country updated the National Plan for European Integration in 2024. It also consolidated the structures responsible for European accession, including a chief negotiator, a department in the Prime Minister's Office, the head of the State Agency for Strategic Programming and Assistance (SASPAC) who coordinates EU aid, European integration units in line ministries and the National Council for European Integration.

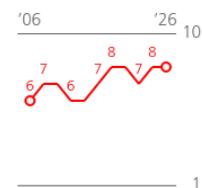
The country has also secured substantial EU funding to support reform priorities that coincide with the EU accession agenda. More recently, €6 billion – of which Albania will receive €922 million between 2024 and 2027 – is focused on four broad areas: market integration with the European Union, economic integration with the Balkan region, fundamental reforms and social cohesion.

In addition to advancing EU-related priorities, the government has set an ambitious agenda to position itself as a regional leader and strengthen relations with key Balkan states, with a view toward advancing its European integration goals.

Question
Score

Prioritization

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Increased prioritization of the EU-related reform agenda has led to better implementation.

During the period under review, the government demonstrated a serious commitment to reform by addressing key implementation challenges, particularly by improving general administrative capacities, and by restructuring and streamlining the institutions responsible for EU integration. The fast-paced progress of negotiations – with three chapter clusters opened over a few months in the second half of 2024 – shows not only a deep commitment to achieving the strategic goal of EU accession but also that the country has delivered.

However, building long-term institutional and administrative capacity requires more than simple institutional changes, better coordination or additional funding. In particular, it requires eliminating the deep-seated patronage system that has infiltrated institution-building and has undermined the sustainability of reforms since the beginning of the post-communist transition. The European Union’s 2024 annual assessment called on the country to effectively implement merit-based recruitment at all levels of administration and clarify lines of accountability.

Albanian political actors have shown a capacity to learn and adopt policy programs to meet the needs of different stages of transition. Policy learning, however, is more often than not confined to emulating institutional templates promoted by international donors, especially the European Union. Albanian political actors have been particularly weak at formulating and negotiating their own policy ideas tailored to the country’s specific circumstances. They have also been weak at building sufficient bureaucratic expertise to lead local learning and adaptation processes.

During the review period, ongoing reforms in public administration combined with the young age and NGO backgrounds of key cabinet members have shaped a more flexible, learning-oriented governance model. For example, initiatives to absorb excellent graduates into administration, introduce digital services and incorporate future-oriented AI technologies testify to renewed efforts at policy learning and innovation.

Still, the dominant style of political leadership, the hierarchical nature of political parties and the deeply rooted patronage system within the state hierarchy have limited the degree of openness and learning across the political system more broadly. The persistent reshuffling of key state officials to ally with the parliamentary majorities and leaders of the day has also deprived the country of the necessary expertise, experience and learning that characterize modern professional bureaucracies.

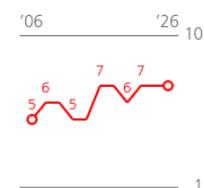
Implementation

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Policy learning

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15 | Resource Efficiency

The government is making increasingly efficient use of available human, financial and organizational resources. Continuous institutional restructuring is often aimed at using assets more efficiently, but these efforts remain partial and ongoing.

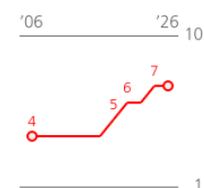
During the period under review, the government has undertaken several initiatives to restructure public institutions and make more efficient use of its resources, particularly in the context of the advancing EU accession process. In January 2024, a ministerial position was created to advance public administration reform and the fight against corruption. In May 2024, the parliamentary majority adopted a major initiative to review legislation and the state's institutional architecture, with the objective of deepening reforms in good governance, the rule of law and anti-corruption. In June 2024, the new Public Financial Management Strategy was created for the period from 2023 to 2030. A working group charged with improving public services offered to citizens and businesses was also created in December 2023. Additional improvements targeted the digital delivery of public services, which has expanded substantially. Roadmaps for public administration reform and for the rule of law were submitted to the European Commission as part of accession negotiations.

Furthermore, the government made great strides toward using financial resources more efficiently. The current account deficit fell to the historic low of 0.9% of GDP in 2023, compared with 5.9% in 2022 and an average of 7.7% from 2017 to 2021. Similarly, the budget deficit narrowed to 1.4% of GDP, while the debt ratio fell below 60% of GDP, down from 64.5% in 2022.

Still, most restructuring follows a top-down political approach, with ideas and initiatives coming from the Prime Minister's Office; it also suffers from the general top-down patronage approach that has characterized institution-building since the fall of communism. Civil service legislation includes provisions for merit-based recruitment, but these are not fully implemented, especially for senior positions. In 2024, the European Union reiterated that the country needs to uphold rules of merit-based recruitment, promotion and dismissal at all levels of administration, especially at the senior level. The challenges are particularly acute at the local level, which is not covered by civil service law protections.

Efficient use of assets

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Intragovernmental friction and competition are limited, as most major policy initiatives tend to come from the Prime Minister's Office. This is facilitated by selecting ministers – even heads of key institutions – based on personal and political connections. The prime minister's linchpin role in the entire governance system is reinforced by the closed-list electoral system and the hierarchical nature of political parties, which empowers party leaders to personally select party candidates. Such a centralized, top-down, hierarchical form of cooperation leads to a certain policy coherence and necessary trade-offs.

The centralization of governing functions around a dominant, strong prime minister, however, does not always ensure consistent or coordinated policymaking, especially over the long term. Specifically, the majority's initiatives to develop e-services, pursue public administration reform or permanently restructure state institutions require institutional expertise and skills in addition to strong political will. Moreover, such politically led restructuring can actually be counterproductive when it is exclusively led by, and hence associated with, one specific leader or the majority of the day.

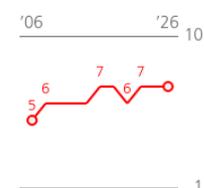
Corruption has been a permanent problem in Albania's democratic transition; anti-corruption policy, therefore, has been an area of continuous and persistent institutional change. Anti-corruption policy also cuts through many policy areas, including public administration, the judiciary and democratic institution building in general. Furthermore, anti-corruption policy is subject to heavy international assistance, including monitoring, assistance and support. The EU accession process, which incorporates clear anti-corruption targets, has given a new impetus to this policy area.

The period under review has shown tangible progress in anti-corruption policies, particularly due to the strengthening of investigative structures focused on high-level corruption. Anti-corruption investigations have now extended to political leaders who were long considered "untouchable" – a former president and two-time prime minister, Sali Berisha; a former president, head of the parliament and prime minister, Ilir Meta; and several high-level politicians from the ruling majority. Consequently, progress in anti-corruption policy has now gone beyond institutional changes and its results are palpable to the public, sending the message that no one is above the law. Importantly, the governing majority has shown support for the investigative bodies, even when some of its members became the focus of investigations.

However, the substantial progress made has also highlighted remaining weak spots in anti-corruption policy. For one, the extensive material publicized by investigative bodies shows that corruption in the governing majority is widespread. Another weak spot is that many anti-corruption policies and institutions are backed by international aid and lack sufficient domestic ownership. The question remains: What will happen once those assistance projects and their sponsors withdraw? Last but not least, the Albanian public has been grappling with a political imbalance regarding anti-

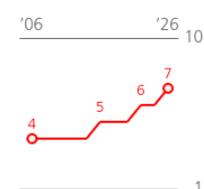
Policy coordination

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Anti-corruption policy

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corruption investigations – whereas investigations into officials of the governing majority have been quick and conclusive, many investigations into opposition leaders, such as Sali Berisha, have dragged for years despite mounting public evidence of wrongdoing. Similarly, investigations into several key judiciary figures have not advanced. Moreover, when investigations proceed, penalties are minimal. It remains uncertain whether some members of the new judiciary structures are pursuing political or personal agendas.

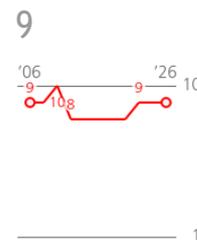
Political party financing has also been an unresolved issue throughout Albania’s transition. Despite noted progress in anti-corruption policy, political party financing is still subject to legal and political loopholes that lend themselves to political corruption and prevent substantial progress. Political parties are required only to report campaign finances to the Central Electoral Commission. However, the commission does not have the legal authority or human resources to oversee those reports and even less to oversee finances beyond the review period. Therefore, it is widely accepted that parties report only a fraction of their finances and tend to exclude private donations, especially those from private “clients.”

16 | Consensus-Building

Albanian social and political actors share a broad consensus on democracy as the ultimate goal of ongoing reforms. Every parliamentary majority and government to date has clearly endorsed this goal and promised to advance the reforms needed to consolidate democratic governance. However, historical legacies, dominant leadership styles, the hierarchical nature of political organizations, weak civil society, limited democratic political culture and the prevailing systems of patronage and corruption have hollowed out both formal institutional achievements and the functioning of democratic institutions. Some achievements during the period under review – particularly the strengthening of rule-of-law institutions and comprehensive reforms across nearly all areas of the EU accession negotiations – reflect efforts to tackle long-standing weaknesses, yet also reveal the persistence of the very problems that undermine democracy.

Similarly, there is widespread consensus among relevant social, economic and political actors regarding the ultimate goal of a market economy, even though achieving a functioning market economy has been an uphill battle. During the period under review, the country has achieved strong economic results, including solid economic growth, declining inflation, and above all improved fiscal indicators such as debt and deficit ratios. Still, the patronage-tinted institution-building model hollows out economic achievements, as the benefits of growth tend to be distributed among a well-connected political clientele. Ongoing reforms in the areas of the rule of law, and a general approach to strengthening state institutions and authority are expected to deliver over the long term.

Consensus on goals



Given the country's general consensus on democracy, Albania has no openly anti-democratic actors. All social, political and governing actors, at least verbally, rally around the same goals: advancing democratization and a market economy, as well as European integration.

Nevertheless, the long and unruly transition has created powerful political and institutional pockets of resistance that verbally adhere to the goal of democratization but de facto refuse to comply with the rules of the game. For example, all Albanian political groups verbally support the principle of checks and balances. Typically, all efforts to strengthen specific independent institutions are met with resistance, and are – more often than not – obstructed, delayed, reinterpreted and even distorted during implementation.

The Albanian political scene is deeply divided between two rigid camps, the DP (Democrats) and the SP (Socialists). Given broad consensus on the end goals of the transition, these parties have effectively exploited the anti-communist–communist ideological rift as a strategy to divide and control their base. The ideological divisions are further rooted in local divisions. DP leaders, most of whom come from the north, tend to emphasize their anti-communist ideology, which appeals to the northern regions, many of which were particularly repressed during the communist regime. The Socialists tend to appeal to the southern regions, which used to be the Communist Party's primary power base. Stressing ideological and regional divisions has proved to be a powerful mechanism of political control over voters in the context of the winner-take-all style of governance and patronage-based relations that characterize the political system.

Yet these ideological and regional cleavages, as well as their political usefulness, are gradually losing significance, as citizens gain experience with democracy and become more programmatic, particularly as citizens vote and support political groups based on performance rather than ideological or regional orientation. Voting patterns during the recent 2017 and 2021 elections testify to the growing pragmatism of voters, especially in more developed urban areas of the country, where voters tend to shift political affiliations. Nevertheless, the ideological rifts continue to surface in political discourse, particularly in accusations by the opposition and affiliated media of government discrimination against the north.

Civil society, in principle, is free to participate in all stages of policymaking, implementation and monitoring. The legal and institutional framework has increasingly moved toward incorporating civil society in all stages of decision-making. Accession negotiations with the European Union have created a new window of opportunity for civil society to engage with – if not shape – policymaking. Citizens also show growing engagement in volunteer work and participation. Furthermore, political actors have discovered the power of polling and consulting citizens, as citizens have become more pragmatic.

Anti-democratic actors

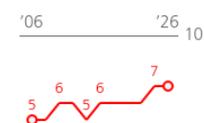
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Cleavage / conflict management

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Public consultation

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Hence, civil society organizations are now consistently and regularly consulted by the government on policy deliberation, formulation and implementation. They also regularly monitor governance performance on issues of interest to them, particularly human rights, the rule of law and corruption.

Still, organized civil society suffers from the typical symptoms of a donor-oriented sector – dependence on international funds, weak institutional capacities and a certain detachment from the society it tends to represent. Another key issue in donor-oriented and politicized civil society is the lack of specialization and sectoral expertise required to participate in and contribute to specific policy areas.

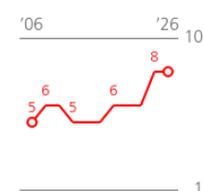
Albania has adopted several packages to address crimes committed during the communist dictatorship, although most failed to provide effective mechanisms for reconciliation. Relevant laws and institutions were often used as political instruments to attack opponents, without ensuring transparency or purging the system of perpetrators of communist crimes. Information in security files, which until recently were kept secret, had also become a major source of political accusations and denigration that was impossible to verify neutrally.

A more complete package of legislation, replicating the German model, was adopted in 2015. The new package provides for the transparency of security files and bars former security members from holding public office. In addition, three major museums, which portray how the communist dictatorship operated, have shed light on the severe methods of oppression it employed and the extent of the crimes it committed.

In November 2022, the parliament adopted a series of amendments that enable the vetting of all candidates for local and national elections, including those who were verified by previous commissions. Additionally, all security files were opened to the public, though under certain conditions and constraints. The collaboration between the governing party (the SP) and a faction of the DP on the amendments represents progress in itself, as it brings two major parties into alignment on the goal of ensuring transparency regarding past crimes and cleansing the system of those responsible.

Reconciliation

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17 | International Cooperation

Since the beginning of the country's transition, Albanians have adopted an outward-looking policy vision, motivated by the need for economic and technical assistance, as well as consensus on the goal of integration into the European Union. The country has also attracted substantial foreign assistance, with the European Union as the largest single and bilateral donor. International aid peaked after the collapse of the state in 1997, when the country became heavily dependent on it to provide even minimal state services. Aid and assistance have continued to flow in abundance since the extension of the EU enlargement framework to all Balkan countries and especially since the renewal of EU enlargement policy in the early 2020s. Donor assistance has helped the country pursue difficult reforms, but it has also led to a series of barely sustainable institutional changes that have not delivered over the long run.

During the period under review, the country has pursued the same foreign-oriented and EU-focused development strategy. It has benefited from various forms of foreign support – such as technical assistance, funding and consultation from various structures, including the European Union, the Council of Europe, the OSCE, USAID, the United States and myriad other bilateral actors – to advance crucial reforms, particularly in the area of the rule of law. The European Union has provided additional and substantial support as the country has advanced along the path to accession: a bilateral assistance measure under the European Peace Facility; annual funding under the Instrument for Pre-accession Assistance (IPA, 2021 – 2027) and ongoing funding under the previous IPA; the Reform and Growth Facility, aimed at accelerating economic development; and many other topical collaboration programs.

EU aid and assistance have been effective in some sectors of the economy, notably tourism and green energy, which have driven recent solid growth. However, ongoing international assistance for institutional reforms has hardly led to sustainable reforms. For example, the lavishly funded judicial reform since 2016 has reached one of its milestones, the end of the external, direct vetting mechanisms for judicial personnel. However, the European Union noted that Albania has failed to develop sufficient mechanisms and institutions to carry out the evaluation and promotion of judicial staff. Recent judicial investigations, especially in the area of corruption, the very area that necessitated reform in the first place, have also shown lapses in the evaluation of key judicial personnel as well as gaps in the overhauled institutional framework. For example, the public has learned that some of the most highly promoted members of the judiciary do not meet key eligibility criteria. Such failures, omissions and gaps have called into question several aspects of judicial reform. In addition, they have highlighted emerging cracks in the reform's implementation, notably the selective application of judicial investigations. The recent challenges attest to a permanent finding of international reform – that ample international assistance, myriad technical projects, numerous international experts and permanent institutional changes have proved feeble over the long term.

Effective use of support

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The Albanian government increasingly acts as a credible, reliable international partner. In addition, Albania is party to the main international treaties, with the government frequently demonstrating the will and capacity to comply with its international commitments and to contribute to various international structures, particularly the European Union.

The country is often praised for fully aligning its foreign policy with EU positions as part of its aspirations for full membership. The European Union's 2024 assessment concludes that Albania has continued to fully align with all EU common foreign and security policy positions and declarations. This is a strong signal of the country's strategic commitment to its EU path. In line with the EU position, the country has taken a proactive stance on Ukraine and held a Balkan-Ukraine summit in February 2024. Albania was also a strong voice as a nonpermanent member of the U.N. Security Council in 2022/23, especially in support of Ukraine.

Importantly, during the period under review, the country has increasingly emerged as one of the frontrunners in EU enlargement and has advanced relatively quickly through the initial stages of accession negotiations.

Albania is a reliable partner, and increasingly a leader in regional cooperation and related initiatives. The country actively engages in various regional structures, including the Central European Free Trade Agreement (CEFTA) and the Regional Cooperation Council.

In January 2023, Albania assumed the chairmanship of the Western Balkans Fund and, in March, also the chairmanship-in-office of the Berlin Process. In February, it hosted a leaders' meeting within the Growth Plan Initiative for the Western Balkans. In October 2023, it hosted the Berlin Process Summit and the related common regional market initiative.

The Albanian prime minister has continued to build strong relations with key neighboring countries, including EU and non-EU countries. Notably, he has cultivated close ties with Giorgia Meloni of Italy, and has used bilateral visits to pursue long-term infrastructure, energy and security projects. An ambitious clean energy cooperation deal signed in January 2025 between Albania, Italy and the UAE, for example, aims to share clean energy across the Mediterranean. Relations with neighboring Balkan countries are also strong and have been deepened by large, ongoing infrastructure projects, including trade and energy projects, most of which are funded by the European Union.

Credibility

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Regional cooperation

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Strategic Outlook

The gains made by Albania during the review period show that the legacies of the past are not insurmountable and highlights the conditions that have allowed the country to advance despite its challenging history. The enduring social and political consensus on building a Western-style democratic and market-based system, and on joining the European Union, has sustained democratic aspirations – if not always reforms – even during crises that have shaken the Albanian state, such as the 1997 pyramid crisis. Moreover, the ongoing EU accession process and the close scrutiny that comes with accession negotiations have given new impetus to the long process of building democratic and market-oriented institutions aligned with EU standards. Deep reforms have also benefited from the program of the ruling Socialist Party and the determined leadership of Prime Minister Edi Rama, who is now seeking a fourth term in office.

Looking ahead, Albania is expected to continue making progress, particularly in strengthening law enforcement agencies, reinforcing anti-corruption structures and improving the performance of key democratic institutions, including the presidency and the system of checks and balances. The country is likely to sustain economic growth, fiscal discipline and rising foreign direct investment, along with increased investment in social programs and future-oriented sectors such as green energy – key priorities of the current government program.

Governance improvements are also expected to enhance Albania's credibility as a regional and international partner. However, some reforms could be reversed if the opposition, led by the Democratic Party (DP) coalition, wins the May 2025 elections – an outcome that remains unlikely based on current polls. The DP, led by Sali Berisha – who has been designated *persona non grata* by the United States and the United Kingdom for major corruption – has pledged to dismantle institutions investigating high-level corruption, which he claims are politically controlled by the ruling majority.

In addition to these potential risks, Albanian social, political and governing actors must address a key long-term challenge: the instability, informal influences and occasional reversibility of key democratic institutional achievements. These issues often stem from patronage networks and internationally led institution-building efforts that have characterized Albanian institutions so far.

Addressing this challenge will require depoliticizing public institutions, strengthening bureaucratic expertise over patronage-based appointments, empowering social accountability mechanisms and, crucially, shifting toward a model in which local actors – rather than international ones – lead institutional development.

The shift also requires a change in the international community's approach to promoting and sponsoring domestic reforms. For decades, international partners have favored quick institutional fixes while overlooking entrenched patronage systems that undermine new institutions from within. As a result, many internationally sponsored reforms have inadvertently helped conceal – and even reinforce – the informal political networks that continue to shape Albania's state institutions.