

The Institute for Public Policy and Good Governance (IPPM)

Vision

The Institute for Public Policies and Good Governance (IPPM) started as a professional and academic initiative to address the significant need for good governance in Albania and in the Western Balkans Region by September 2013, and was officially founded in October of the same year by a group of academics, young professionals and public figures.

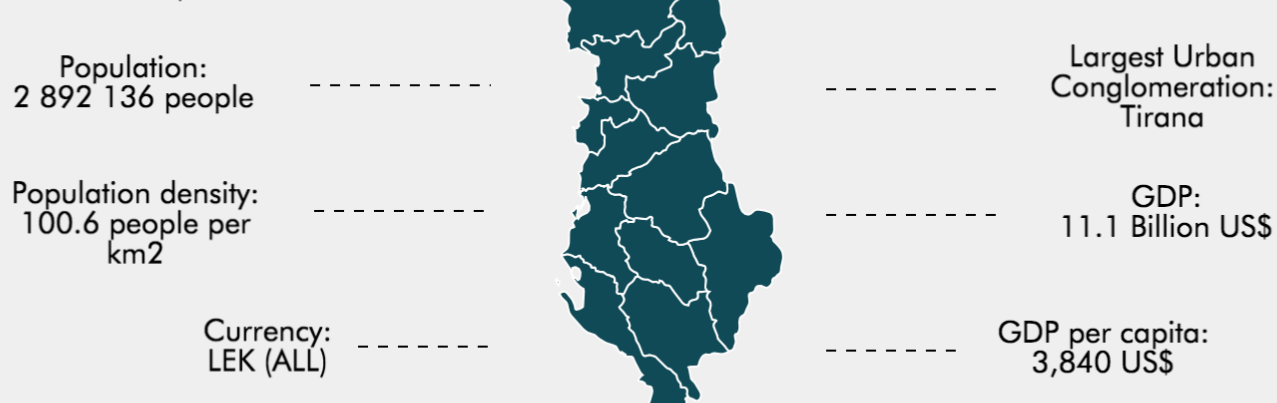
Mission

IPPM's mission is to ensure the commitment to good governance, through the development and promotion of quality governance alternatives in the public and private sector, and to contribute in enhancing the public awareness on the main social-economic challenges.

Objectives

IPPM's objectives are: Developing and promoting good governance best practices in the public and private sectors, fostering public debate on good governance, supporting economic reforms serving to the European integration process, bringing together in cooperation different interest groups for a better governance, assisting the qualitative reformation of the public sector, and setting up a multi-stakeholder dialogue process around the issues at stake with a main focus on financial public management. IPPM promotes effective policies and administrative measures by more transparency in the decision making process and also guarantees freedom of information to the citizens.

Country Snapshot



Context

The transition from a centrally planned to a market-oriented economy, accompanied by abundant international aid and other strategic assistance, helped Albania to make progress after emerging from 50 years of communist rule.



Thanks to a strong growth performance, Albania grew from one of the poorest nations in Europe in the early 1990s to lower middle-income status by 2008 and to upper-middle income status by 2013. Poverty declined by half during that period, which also included a social and economic unrest in 1997 sparked by Ponzi schemes failures.

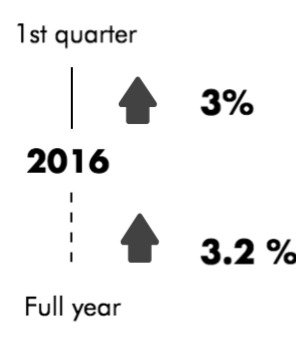
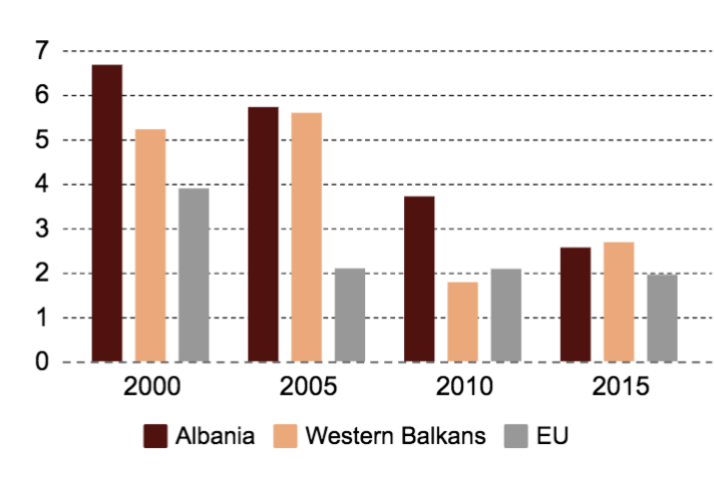
The country's economic transformation continues to build on its huge potential and opportunities. However, the global financial crisis exposed the weaknesses of its growth model and highlighted the need to shift from consumption-fueled to investment and export-led growth.

The country's main challenges include maintaining macro-fiscal and financial sector sustainability, improving the investment climate and unleashing private sector growth, removing barriers to employment for job creation, and improving governance and public service delivery.

Recognizing these challenges, the Government of Albania in 2014 embarked on a broad-based reform program focused on macroeconomic and fiscal sustainability, financial sector stabilization, energy concerns, pensions, and territorial administration. Significant progress, propelled by the ongoing reforms, has created the conditions for rebounding business confidence and domestic demand, including early signs of increased investment and an export-led recovery.

Recent Economic Developments

Figure 1.1. GDP Growth (annual %)



Albania's economy continued to expand in 2016, supported by robust private investment and a recovery in consumption. Growth accelerated to 3% in the first quarter of 2016 and is projected to reach 3.2% for the full year.

Labor Market

Figure 1.2. Total

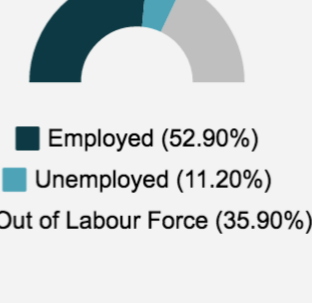


Figure 1.3. Females

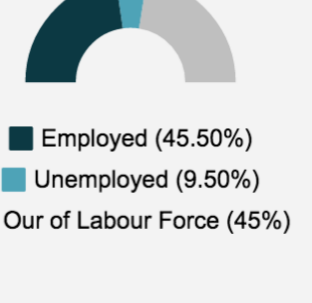
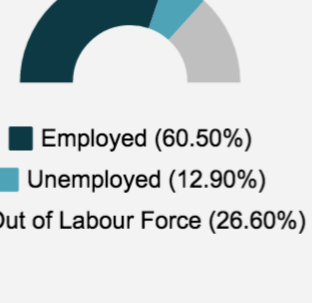
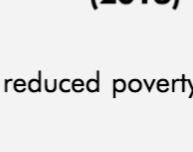


Figure 1.4. Males



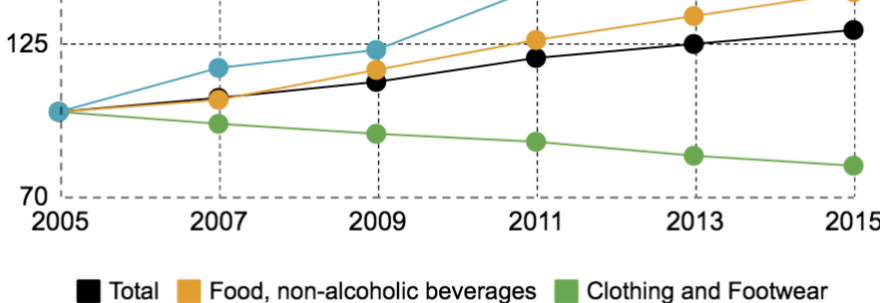
Labor markets have continued to improve steadily, with employment growing by 6.7% in annual terms in the second quarter of 2016. Better employment outcomes are the result of a reduction in unemployment as well as higher labor force participation rates.



Economic growth, combined with labor market trends and patterns, is estimated to have reduced poverty and promoted inclusion. Albania has benefited from positive job creation.

Consumer Price Index

Figure 1.5. Average CPI (2005=100)



The Consumer Price Index (CPI), which measures the change of the price of a fixed basket of goods and services as compared to the base period (2005), witnesses an increasing trend from 2005 up to the end of 2015. The most noticeable price decline, up to December 2015, has been in Clothing and Footwear & Communication; the price of Alcoholic Beverages and Tobacco has increased the most during this period.

Import and Export

Figure 1.6. Import and Export (% of GDP)



Main Importers & Exporters

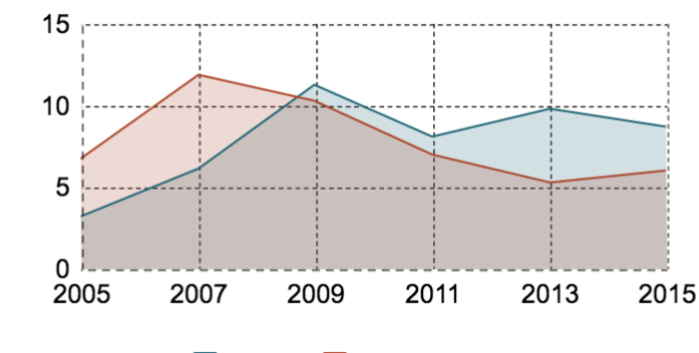
Importers		Exporters	
Italy	30.3%	Italy	50.9%
Turkey	8.0%	Kosovo	8.6%
Greece	7.8%	Spain	5.2%
Germany	6.7%	Malta	4.6%
Serbia	3.8%	Greece	3.9%
Others	43.4%	Others	26.8%

The current fiscal deficit is projected to expand in 2016, but it will continue to be financed primarily by foreign direct investment (FDI) inflows and external public borrowing. After narrowing to 11.7% of GDP in 2015, the current account deficit is expected to reach 13% in 2016, led by a worsening balance of trade in goods and services.

Services exports are performing well, although exports of goods are expected to decline on account of low commodity prices. Total imports continue to increase due to high FDI-related imports.

Foreign Direct Investments (FDI)

Figure 1.7. FDI, net inflows (% of GDP)

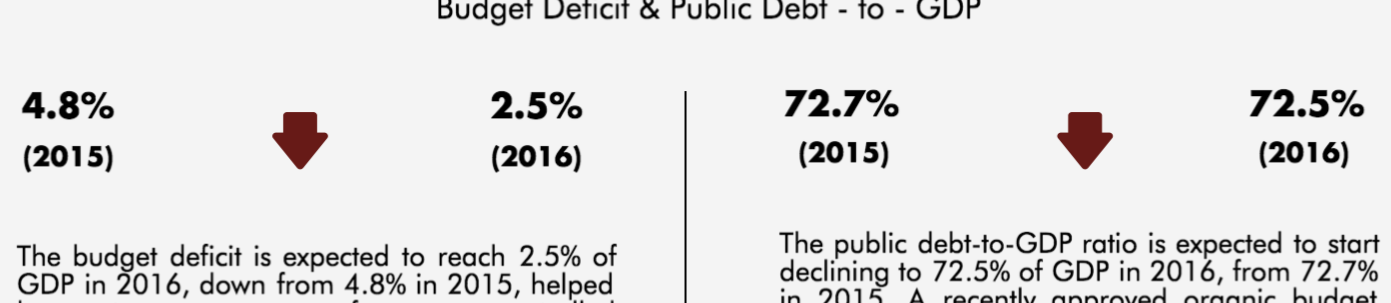


FDI per country (%)

Greece	25%
Netherlands	14%
Canada	13%
Turkey	11%
Turkey	9%
Austria	8%
Others	21%

By the end of 2015, the stock of Foreign Direct Investments in Albania reached 5,462.3 million US\$ (1890\$ per capita), according to the Bank of Albania. The sectors with the highest percents of FDIs are Information and Communications & Financial and Insurance Services, with 25% and 17% respectively.

Budget Deficit & Public Debt - to - GDP



The budget deficit is expected to reach 2.5% of GDP in 2016, down from 4.8% in 2015, helped by a strong revenue performance, controlled current spending, and lower capital spending.

The public debt-to-GDP ratio is expected to start declining to 72.5% of GDP in 2016, from 72.7% in 2015. A recently approved organic budget law mandates an annual decline in public debt until it reaches 45% of GDP.

International rankings

Indices & Reports	Ranking	Vs. Previous Year
Ease of doing Business 2017 World Bank Group	58/190	32
Global Competitiveness Report 2017 World Economic Forum	80/138	13
Index of Economic Freedom 2016 Heritage Foundation	59/178	4
Corruption Perceptions Index 2016 Transparency International	88/168	from 110/175
Paying Taxes Index 2017 World Bank Group	97/190	12
Press Freedom Index 2016 Reporters Without Borders	82/180	=

Economic Outlook

The Albanian economy is expected to expand in the near term, driven by a recovery in consumption and robust investments. Net exports are expected to gradually contribute to growth as EU economies recover.

Risks to the outlook are mostly on the downside, but a stronger pace of structural reforms could help mitigate the impacts.

However, external developments associated with slow growth in the EU may adversely impact Albania's growth and poverty prospects through reduced remittances, exports, and foreign investment.

Fiscal pressures or faster than expected business uncertainty associated with next year's elections could also slow down growth. Easier than expected improvements in the business climate and reforms to address the high nonperforming loans could further strengthen private investment and consumption over the medium term.

Projected Growth



Sources:

- Bank of Albania
- National Institute of Statistics (INSTAT)
- Ministry of Finance of Albania
- The World Bank DataBank
- The World Bank in Albania - Country Snapshot

This summary was prepared from Ms. Teuta Turani (teutaturani@hotmail.com) on behalf of the Institute for Public Policy and Good Governance (IPPM) and Luarasi University



Institute for Public Policy and Good Governance



Luarasi University

secretary@ippm.al
www.ippm.al

faola.hodaj@yahoo.com
www.luarasi-univ.edu.al