converge2eu

Annual Convergence Report 2026

– Albania –

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Converge2eu

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Overall well-being in Albania in 2025

60.8% of the EU level

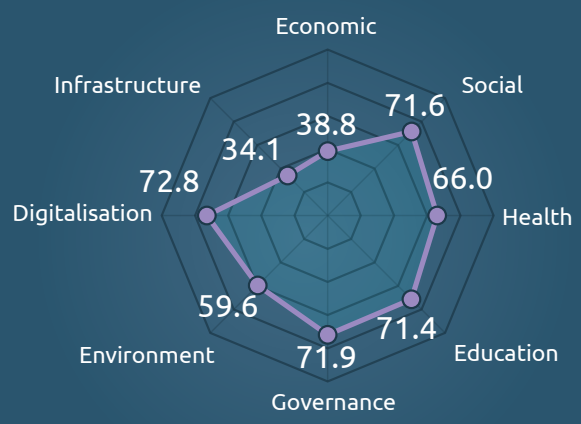
+0.0 pp last year

+1.1 pp average over the past 5 years

35 years to EU (if trends from past 5 years continue)

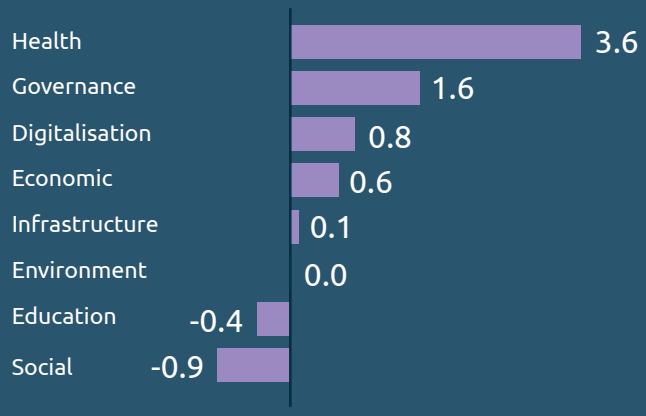
ALL AREAS OVERALL

Albania, all pillars overall, % of EU average



- The strongest pillar in Albania in 2025 was Digitalisation, at **73%** of the EU average.
- Governance, Education and the Social pillar followed, at around **72%** of the EU level.
- Health and environment were at **66%** and **60%** of the EU average.
- Infrastructure and the Economic pillar were behind, standing at around **35-40%** of the EU level.

Albania, all pillars overall, change to last year



- **5 of the 8 areas** saw an improvement in 2025, while **2** saw a slide.
- The area with the strongest improvement was Health, which improved by **3.6 pp** relative to the EU average.
- Governance followed, improving by **1.6 pp**.
- Digitalisation, the Economic pillar and Infrastructure improved more modestly, by less than **1 pp**.
- Environment stagnated, while Education worsened marginally.
- The Social pillar saw the biggest slide, worsening by **0.9 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Economic	41
Social	Divergence
Health	15
Education	81
Governance	37
Environment	100+
Digitalisation	9
Infrastructure	95

- On the grounds of the current levels and the trends over the past **5 years**, Digitalisation is the area closest to reaching the EU level, at around **9 years** away.
- Health follows closely, being at around **15 years** away from the EU average.
- The Economic and Governance pillars stand at around **4 decades** from the EU level.
- Education and Infrastructure are around **80** and **95 years** from the EU level, respectively.
- The Environment pillar is more than a century away.
- The Social pillar has not been approaching the EU level over the past **5 years**.

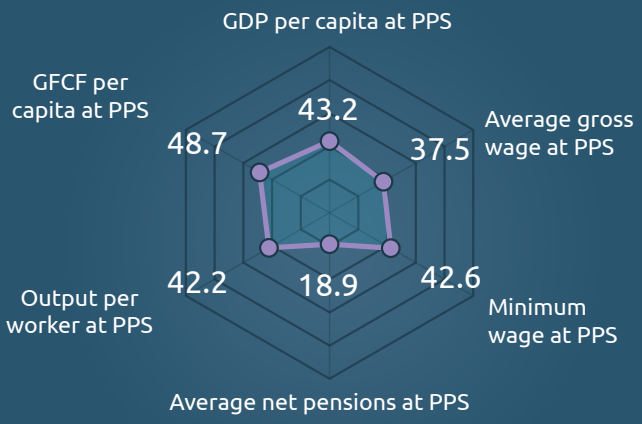
ECONOMIC PILLAR

Albania, economic pillar indicators, nominal values

Indicator	Value
GDP per capita at PPS	17,940
Average gross wage at PPS	1,185
Minimum wage at PPS	562
Average net pensions at PPS	260
Output per worker at PPS	35,960
GFCF per capita at PPS	4,348

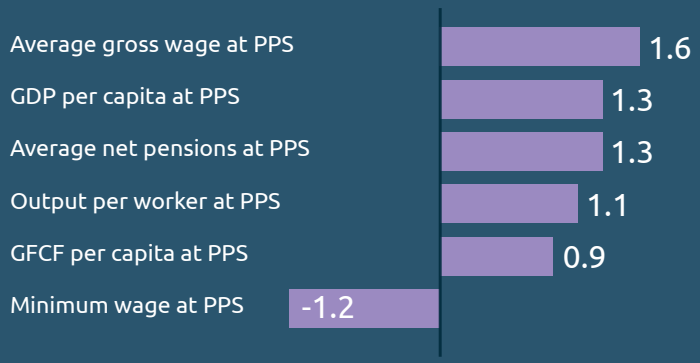
- ★ GDP per capita at EU27 purchasing power standard (PPS) in Albania stood at **EUR 17,940** in 2025.
- ★ The Average gross wage was **EUR 1,185 PPS**.
- ★ The Minimum gross wage was **EUR 562 PPS**.
- ★ The Average net pension was **EUR 260 PPS**.
- ★ The Output per worker was **EUR 35,960 PPS**.
- ★ Gross investment (GFCF) per capita was **EUR 4,348 PPS**.

Albania, economic pillar, % of EU average



- ★ Relative to the EU average, the best-performing economic indicator in Albania in 2025 was GFCF per capita, standing at **49%** of the EU level.
- ★ GDP per capita, Minimum wage and Output per worker were close behind, at around **43%** of the EU average.
- ★ The average gross wage was slightly lower, at **38%** of the EU level.
- ★ Pensions remain the weakest link, standing at just **19%** of the EU average.

Albania, economic pillar, change to last year



- ★ **5 of the 6 indicators** in the Economic pillar saw an improvement in 2025.
- ★ The biggest improvement was in Average gross wage, which edged closer to the EU level by **1.6 pp**.
- ★ GDP per capita, Average pensions, Output per worker and GFCF per capita closed approximately **1 pp** of the gap to the EU average.
- ★ Minimum wage was the only indicator that did not see an improvement relative to the EU, falling back by **1.2 pp**.

Indicator/ years to EU

Indicator	years to EU
GDP per capita at PPS	31
Average gross wage at PPS	39
Minimum wage at PPS	47
Average net pensions at PPS	100+
Output per worker at PPS	28
GFCF per capita at PPS	28

- ★ At the pace of improvement from the past **5 years**, GDP per capita, Output per worker and GFCF per capita would need around **30 years** to close the gap to the EU average.
- ★ Average wage would need around **4 decades**, and the Minimum wage **around 5**.
- ★ Average pensions remain the poorest-performing indicator in this group, with more than **100 years to reach** the EU level at current trends.

What explains the trends in the economic pillar?

Albania's economic pillar reached 38.8% of the EU average in 2025, a gain of 0.6 pp over the prior year and the highest level on record. Convergence slowed after an unusually strong 2024, when the pillar gained 2.7 pp. Real GDP growth slowed from 4.03% to 3.66% on the semi-final estimate of Albania's Institute of Statistics (INSTAT), and the composition explains the rest. Growth was carried by services, construction and public spending, while industry contracted by 3.7% and agriculture by 2.5% in real terms. The sectors driving productivity convergence over the long run were the ones that shrank.

- **Growth composition:** Real GDP grew by 3.66% in 2025, down from 4.03% in 2024, with inflation contained at 2.2%. Services grew by 5.8% and construction by 4.1%, while industry declined by 3.7% and agriculture by 2.5% in real terms. The largest single contribution to growth, 1.65 pp of the 3.66%, came from public administration, education and health. For the first time on record, the current account moved into surplus in the first three quarters of 2025, as services exports offset a continued decline in goods exports, which fell by 7.8% in real terms over the year.
- **Wages grew faster than output, from a lower base:** The average gross wage was the fastest-converging indicator of the year, gaining 1.6 pp to reach 37.5% of the EU level. This was helped by three factors: (i) the public-sector pay reform, whose full cost reached the budget for the first time in 2025 and raised public-sector wage spending by around 14% over the year; (ii) a tight labour market in services; and (iii) continued formalisation of salaries. Output per worker gained 1.1 pp. Wages nonetheless remain further from the EU average than output per worker, at 37.5% against around 43%, so part of the faster convergence reflects the lower level from which wages started, and there is still distance to close. Compensation of employees rose to 29.0% of GDP from 27.5% a year earlier. By running ahead of productivity, wage growth is supporting household incomes and revenue collection, but it has begun to weigh on the price competitiveness of manufacturing, where an appreciating lek has compounded the pressure.
- **Investment as the strongest position:** Investment per capita is now the pillar's leading indicator, at 48.6% of the EU average, and, together with output per worker, it carries the shortest convergence horizon in the pillar, at 28 years. Gross fixed capital formation (GFCF) stood at 24.2% of GDP in 2025 and grew by 3.3% in real terms, a high share by regional standards. Its composition qualifies what that strength means. Construction accounts for 12.6% of GDP and grew by 4.1%, real estate activities grew by 8.3%, and the government's own framework holds public investment above 5% of GDP. Thus, the larger part of the total is private and concentrated in construction-, property- and tourism-related capacity rather than in industrial equipment. On the public share, the constraint is execution rather than ambition: capital spending remained significantly under-executed in 2025, so the recorded figure understates what the budget had provided for.
- **The minimum wage pause:** The minimum wage was the only indicator to lose ground, slipping 1.2 pp. Its level in purchasing power terms still rose, from EUR 545 to EUR 562 PPS, but more slowly than the EU average, which continued to advance under the Adequate Minimum Wages Directive. The 2025 reading is a pause in a series that gained 3.7 pp the year before rather than a reversal.
- **Pensions as the structural gap:** At 18.9% of the EU average, pensions remain the pillar's binding weakness and the only indicator in this pillar on a horizon of over 100 years. Low contribution density, widespread under-reporting of wages and a resident population that fell by 14% between 2011 and 2023 are all narrowing the contributor base. The strong growth in personal income tax and social contribution receipts recorded in 2025 is the first sign that formalisation can begin to widen it.
- **Where the government expects to be by 2029:** The government's Macroeconomic and Fiscal Framework 2027-2029, approved in January 2026, projects growth of 4.0% in 2026 and average growth of 3.9% through 2029, which would raise GDP per capita in purchasing power terms by about 18% over the period while holding public investment above 5% of GDP throughout. By the government's own figures, the money for investment is there; the difficulty lies in spending it.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's economic convergence, we estimate and simulate four different scenarios.

- The first, **full EU membership**, assumes immediate accession with all accompanying rights and obligations.
- The second, **access to the EU budget**, envisions Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- The third, **access to the EU single market**, models full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- The fourth, **institutional reforms**, captures a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

A more detailed description of each scenario is provided in the methodological section.

In the economic pillar, the scenarios are simulated for **GDP per capita at purchasing power standards (PPS),** as the single indicator representing overall economic convergence. The four scenarios are then compared to the baseline/status quo scenario, representing no change with respect to the trends from the past 5 years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful, though varied, effects across the four scenarios.

EU accession scenarios for GDP per capita

Scenario	Years needed to reach the EU average
Status quo	**31** years to EU
Full EU accession	**21** years to EU
Access to EU budget	**25** years to EU
EU single market	**25** years to EU
Institutional reforms	**31** years to EU

Under the **status quo scenario**, Albanian incomes reach the EU average in about 31 years. This carries forward the pace of the past 5 years, which has been 1.8 pp of the EU average per year, with no change in Albania's relationship with the EU.

- **Full EU accession** produces the strongest result, at 21 years. All four transmission channels – budget transfers, exports to the EU, improved control of corruption and net migration – operate together and jointly hasten the pace of convergence, from 1.8 to 2.7 pp a year.
- **Access to the EU budget** alone, without formal membership, brings the figure to 25 years, a saving of around 6 years. Transfers worth an estimated 2.5% of GDP finance the capital formation that Albania currently under-executes, which is why a single channel delivers this much.
- **Access to the EU single market** produces an almost identical effect, at 25 years, though it reaches it by the opposite route. Higher exports to the EU and the mobility that accompanies them raise demand for Albanian output rather than financing the investment behind it.
- **Institutional reforms** pursued in isolation, without new external financing or market access, deliver the weakest result, leaving Albania 31 years away, or the same as under the status quo. Better control of corruption raises growth on its own, but only marginally.

The results of the EU accession simulations show that the gap closes fastest when money and reform arrive together, which is what the full EU accession scenario shows, at 21 years. They also show that the channels add up in speed rather than in time, so partial integration delivers a large part of the benefit well before accession concludes.

Policy discussion & key recommendations

Albania's economy is growing steadily, but the sources of that growth are limited. Consumption, tourism and construction carry it, while industry and agriculture remain low-productivity and have been contracting. The European Commission rates Albania as **well prepared for a functioning market economy** and **less well prepared for competitive pressure within the single market**. **Closing the distance between those two assessments is the task of the next phase of policy.** The pillar's own figures point the same way: investment per capita and output per worker carry the shortest convergence horizons, at 28 years, while pensions sit beyond a century. The recommendations below follow that order. Delivery of investment comes first because it conditions everything else; revenue second because it funds it; and the productive base third because it determines whether wage growth can continue. The final two address the pillar's two structural weaknesses: the contributor base and export competitiveness. The scenarios confirm this. Albanian incomes reach the EU average in 31 years based on present trends and in 21 under full membership, while access to the EU budget and access to the single market each save around 6 years on their own. Institutional reform without resources changes nothing at all, leaving the horizon at 31 years. The implication for this pillar is that reform and money have to arrive together, and that partial integration already delivers a substantial part of the benefit well before accession concludes.

- **Deliver the investment already budgeted:** The government plans to keep public investment above 5% of GDP through 2029, so the problem is not the size of the budget but how much of it is actually spent. Operationalising the public investment management framework and the National Single Project Pipeline, so that only mature and costed projects reach the budget, would raise delivery from the resources already committed and is the precondition for absorbing Growth Plan and, subsequently, cohesion funding.
- **Widen the revenue base rather than rates:** Revenues, at nearly 28.6% of GDP, are held down by informality and by tax expenditures, estimated at 4-5% of GDP by the European Commission in its 2025 report on Albania. The government finalised a comprehensive Tax Exemptions Report in 2025, but no concrete plans to reduce tax expenditures have followed. Publishing the completed review and withdrawing the exemptions that cannot be justified would fund the pension and capital spending that this pillar needs in addition to reducing reliance on one-off measures whose effects on compliance are harder to reverse than to create.
- **Anchor productivity in tradable sectors:** Wage growth exceeding productivity growth is only sustainable if the productive base widens. An industrial policy focused on three or four proven sectors would widen it, but only if Albanian firms can prove that their goods meet European requirements. This requires aligned product legislation and the institutions behind it: standards, accreditation, metrology, conformity assessment and market surveillance. Building them is aligned with accession requirements, and firms cannot enter European value chains without them.
- **Reconnect pensions to the contributor base:** Pensions, at 18.9% of the EU average, are one of several indicators in the report beyond a 100-year horizon, and no change to pension rules or retirement ages closes a gap of that size. Pensions rise with the number of people contributing and the wages they declare. Bringing un- and under-declared employment into the contribution system would widen the base that both pensions and health financing depend on, and the strong growth in contribution receipts recorded in 2025 suggests that the response is available.
- **Protect export competitiveness as wages rise:** Goods exports have fallen from 8.3% of GDP in 2023 to 5.8% in 2025, declining by 7.8% in real terms in the last year alone, as the lek appreciated and labour costs rose. Wage convergence is a policy objective, and its effect on tradable sectors can be offset. Support for productivity-raising investment in exporting firms, as well as for diversification of export markets and products, would allow wages to keep converging without the manufacturing base contracting further. The response does not lie with the exchange rate. Under an inflation-targeting framework, the appreciation is not an instrument that the Bank of Albania can be asked to reverse, and attempting it would trade one objective for another. The burden therefore falls on fiscal and industrial policy.

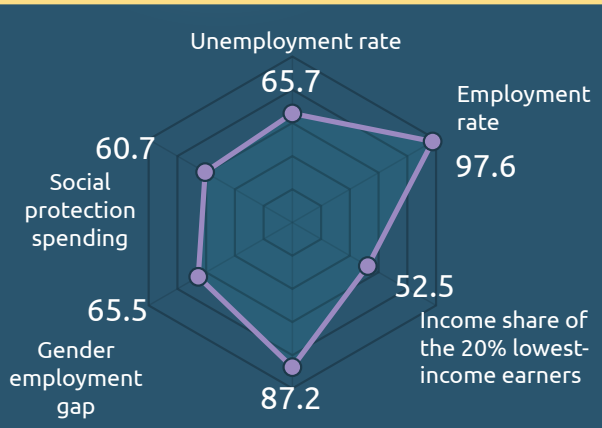
SOCIAL PILLAR

Albania, social pillar indicators, nominal values

Indicator	Value
Unemployment rate	9.3
Employment rate	69.3
Income share of the 20% lowest-income earners	3.6
Income share of the 10% highest-income earners	33
Gender employment gap	13.3
Social protection spending	3.9

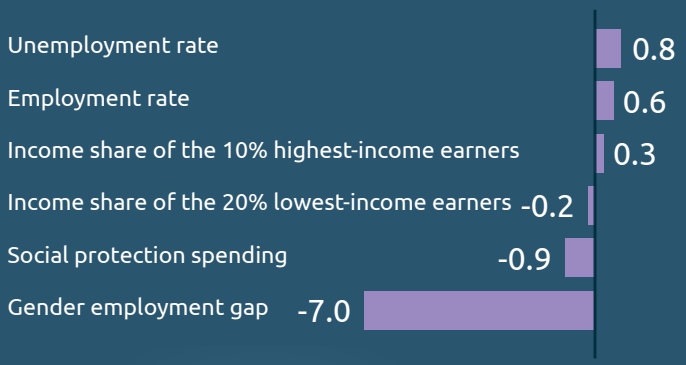
- ★ Unemployment rate in Albania in 2025 stood at **9.3%** of the labour force.
- ★ Employment rate stood at **69.3%** of working-age population.
- ★ Income share of the **20%** lowest-income earners stood at 3.6% of total post-tax income.
- ★ Income share of the **10%** highest-income earners stood at 33% of total post-tax income.
- ★ Gender employment gap stood at **13.3 pp**.
- ★ Social protection spending stood at **3.9%** of GDP.

Albania, social pillar, % of EU average



- ★ Relative to the EU average, the best-performing social indicator was Employment rate, standing at **98%** of the EU level.
- ★ Income share of the **10%** highest-income earners was second, at **87%** of the EU benchmark.
- ★ Unemployment rate and Gender employment gap followed, at **65%** of the EU level, while Social protection spending was at **61%**.
- ★ Income share of the **20%** lowest-income earners remains the weakest link, standing at just **53%** of the EU average.

Albania, social pillar, change to last year



- ★ **3 of the 6 indicators** in the social pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Unemployment rate, which closed the gap to the EU level by **0.8 pp**.
- ★ Employment rate and Income share of the **10%** highest-income earners were the two other indicators that improved in 2025, by **0.6** and **0.3 pp**, respectively.
- ★ Income share of the **20%** lowest-income earners worsened by **0.2** pp relative to the EU average, while Social protection spending lost **0.9 pp**.
- ★ Gender employment gap was the indicator with the weakest performance, falling back by **7.0 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Unemployment rate	26
Employment rate	2
Income share of the 20% lowest-income earners	100+
Income share of the 10% highest-income earners	Divergence
Gender employment gap	Divergence
Social protection spending	Divergence

- ★ At the pace of improvement from the past **5 years**, Employment rate stands to be the first indicator from this pillar to converge to the EU level, in about **2 years**.
- ★ Unemployment rate is also converging relatively well and would need around **26 years** to close the gap to the EU average.
- ★ Income share of the **20%** lowest-income earners remains far from that, with more than **100 years** needed to reach the EU level at current trends.
- ★ Income share of the **10%** highest-income earners, Gender employment gap and Social protection spending are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the social pillar?

The social pillar stood at 71.6% of the EU average in 2025, down 0.9 pp over the year and below its 2023 peak of 74.8%. **The pillar is not converging on a 5-year view.** Employment outcomes are close to EU levels and improving, while everything that determines how the proceeds of that employment are distributed is flat or moving in the wrong direction.

- **Employment as the anchor:** The employment rate reached 69.3%, or 97.6% of the EU level, and unemployment fell to 9.3%, the strongest annual gain in the pillar, at 0.8 pp. Labour demand in tourism, construction and services carried both. Youth unemployment continued to ease, and the labour force participation rate held at 63.8%. On current trends, employment will reach the EU average within 2 years.
- **Distribution as the gap:** The income share of the poorest fifth stood at 3.6% of the national income, or 52.5% of the EU level, making it the weakest indicator in the pillar and the one with a horizon of over 100 years. The share of the top 10% is 33% of the national income and diverging from the EU benchmark. Although growth has been strong, it has mostly benefitted the better-off. Employment has also been strong, but the distributional structure beneath the economic growth has not been favourable and has moved disparities in the wrong direction for several years.
- **The gender employment gap is widening:** The difference between the employment rates of men and women now stands at 13.3 pp. Measured against the EU, Albania's position on this indicator fell by 7.0 pp over the year, after falling by 18.5 pp the year before. Falling for 2 consecutive years, this indicator points to a persistent problem rather than a one-off bad result, and this is now the most important trend in the pillar. The causes – childcare coverage, informality and care responsibilities – are structural and fall disproportionately on women. The gender pay gap in wages narrowed to 4.9% from 6.2%, so the problem is participation rather than pay.
- **Social protection spending at 3.9% of GDP:** Spending stands at 60.7% of the EU level and is diverging. Benefit adequacy is modest, and coverage thins in rural areas, which is why strong employment has not translated into faster poverty reduction. Poverty (measured at the upper middle-income line) fell to 23.4% in 2025 and is projected to reach 19.4% by 2028. Thus, the direction is right, but it is being driven by the labour market rather than by transfers.
- **Underlying demographic issues:** The resident population fell by 14% between 2011 and 2023, with skilled workers over-represented among those leaving. This narrows the contributor base for both pensions and social protection, which helps to explain part of the worsening in this pillar and the economic one.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's social convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget**, envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

In the social pillar, the scenarios are simulated for the **income share of the bottom 20% of earners** as a measure of poverty to assess how different EU integration pathways might reshape Albania's social convergence trajectory. The four scenarios are then compared to the baseline/status quo scenario.

The scenarios are again presented through the **years needed to reach the EU average**. The results reveal a divide between scenarios that involve substantial external engagement (i.e. different EU integration mechanisms) and those that rely on domestic action alone.

EU accession scenarios for the bottom 20% income share

Scenario	Years needed to reach the EU average
Status quo:	**100+** years to EU
Full EU accession:	**69** years to EU
Access to EU budget:	**70** years to EU
EU single market:	**100+** years to EU
Institutional reforms:	**100+** years to EU

For the poorest fifth of Albanians, no scenario delivers quickly.

- Under the **status quo**, the income share of the poorest 20% stays more than 100 years from the EU average. The indicator has been moving by only 0.3 pp a year, and the employment growth recorded elsewhere in this pillar has not reached the households at the bottom.
- **Full EU accession** brings it to 69 years, the largest improvement any scenario produces here. Almost all of it comes through the budget transfers channel, as this indicator is linked to EU transfers and to control of corruption rather than to trade or mobility.
- **Access to the EU budget** alone brings the number of years to 70, within a year of the full accession result. This is the clearest single-channel result in the report: for the bottom quintile, the resources do very nearly all of the work that membership would do.
- **Access to the EU single market** leaves the indicator beyond 100 years – exactly as in the baseline rather than close to it – because neither exports to the EU nor net migration enters the equation for the income share of the poorest quintile.
- **Institutional reforms** alone also leave the indicator beyond 100 years. Better control of corruption improves how transfers are targeted and delivered, which lifts the annual pace from 0.32 to 0.34 pp, but it does not create the transfers themselves.

The share of income going to the poorest fifth moves through taxes and benefits, which are decisions taken in the national budget. EU funds would make those decisions easier to afford.

Policy discussion & key recommendations

Albania's **labour market now performs close to European standards**, but **its income distribution does not**. Employment stands at 97.6% of the EU level, and unemployment recorded the pillar's strongest annual gain, while the income share of the poorest fifth remains near 52% of the EU average and is not converging. Strong employment has not reached the households at the bottom, which directs attention to the transfer system rather than to job creation. The gender employment gap has lost ground in 2 successive years, and social protection spending (at 3.9% of GDP) is diverging from the EU benchmark. These three findings share a cause: social spending and childcare provision have not kept pace with the labour market around them. The recommendations start with adequacy and coverage, move to the participation constraint, and close with the administrative capacity that both require. The scenarios confirm where the lever sits. The income share of the poorest fifth stays beyond 100 years under the status quo, under single market access and under institutional reform alike, while it only moves in the two scenarios carrying EU budget resources, to 69 and 70 years. Whatever else they deliver, market integration and governance reform do not reach the bottom of the distribution. This is a fiscal question, and the recommendations below are framed accordingly.

- **Raise the adequacy and reach of social assistance:** Spending, at 3.9% of GDP, cannot move the bottom quintile whatever the quality of its targeting. Indexing the economic assistance benefit to prices or wages and extending coverage in rural areas where take-up thins directly addresses the pillar's weakest indicator. Poverty is already falling on the strength of employment growth, and a functioning transfer system would accelerate it rather than substitute for it.
- **Treat childcare as employment policy:** A gender employment gap that has widened for 2 successive years will not be reversed through labour market measures alone. The employment gap between men and women widened from 10.3 pp in 2023 to 13.3 pp in 2025, while the gender pay gap narrowed to 4.9%, so the remaining problem concerns who enters the labour market rather than what they are paid within it. Expanding places for children under 3 years old (building on the Child Guarantee Plan, for which Albania has nominated a national contact point) and aligning legislation with the gender equality acquis in employment and social policy (including work-life balance, pay transparency and women on boards) addresses the binding constraint on female participation. The alignment gap is recorded in the Commission's 2025 report on Albania.
- **Convert formalisation into contribution coverage:** Wage under-reporting reduces present revenue and future pension entitlements at the same time. Scaling the Youth Guarantee beyond its three pilot municipalities as well as simplifying enrolment for informal and self-employed workers would widen the contributor base on which both this pillar and the economic pillar depend.
- **Give labour inspection the means to act:** Labour inspection already operates across the economy and reaches the workplaces where un- and under-declared employment occurs. Additional inspectors, and sanctioning powers proportionate to the sums involved, would let it change employer behaviour at scale rather than merely document it. Strengthening the system is aligned with accession requirements, and it is among the reforms with the shortest interval between action and measurable effect.
- **Build the capacity to manage European social funding now:** In time, Albania will have access to the European Social Fund Plus, and the managing authority, monitoring systems and audit arrangements it requires will take several years to establish. Beginning that work before eligibility arrives converts a future entitlement into usable money, and the same structures would improve the targeting of domestic social spending in the meantime.

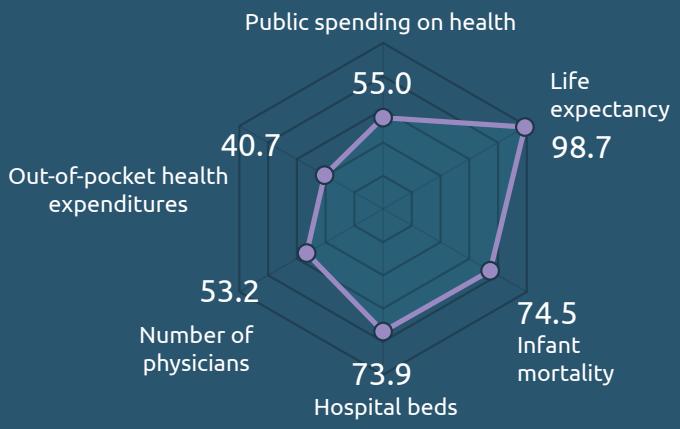
HEALTH PILLAR

Albania, health pillar indicators, nominal values

Indicator	Value
Public spending on health	3.5
Life expectancy	79.8
Infant mortality	4.7
Hospital beds	375
Number of physicians	22.7
Out-of-pocket health expenditures	48.3

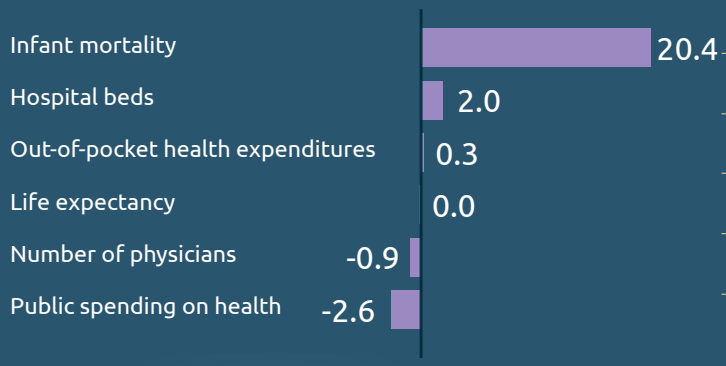
- Public spending on health in Albania stood at **3.5%** of GDP.
- Life expectancy stood at **79.8 years.**
- Infant mortality stood at **4.7 per 1,000 live** births.
- Hospital beds stood at **375 beds per 100,000 inhabitants**.
- Number of physicians stood at **22.7** physicians **per 10,000** inhabitants.
- Out-of-pocket health expenditures stood at **48.3%** of total health spending.

Albania, health pillar, % of EU average



- Relative to the EU average, the best-performing health indicator was Life expectancy, standing at **99%** of the EU level.
- Infant mortality and Hospital beds followed, at around **74%** of the EU average.
- Public spending on health and Number of physicians were lower, at around **54%** of the EU level.
- Out-of-pocket health expenditures is the weakest link, standing at just **41%** of the EU average.

Albania, health pillar, change to last year



- **3 of the 6 indicators** in the health pillar saw an improvement in 2025 relative to the EU average.
- The biggest improvement was in Infant mortality, which closed the gap to the EU level by **20.4 pp**.
- Hospital beds came second, closing **2 pp** of the gap to the EU level.
- Out-of-pocket health expenditures improved marginally, by **0.3 pp**, while Life expectancy stagnated.
- Number of physicians widened the distance to the EU average by **0.9 pp**.
- Public spending on health was the indicator with the weakest performance, falling back by **2.6 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Public spending on health	34
Life expectancy	Divergence
Infant mortality	4
Hospital beds	9
Number of physicians	22
Out-of-pocket health expenditures	100+

- At the pace of improvement from the past **5 years**, Infant mortality stands to be the closest to reaching the EU level, in about **4 years**.
- Hospital beds are also performing well, at around **9 years** away.
- Number of physicians and Public spending on health would need around **2-3 decades** to close the gap to the EU average.
- Out-of-pocket health expenditures is far from that, with more than **100 years** needed to reach the EU level at current trends.
- Life expectancy, despite being at **99%** of the EU level already, is not on track to close the gap at recent trends.

What explains the trends in the health pillar?

The health pillar stands at 66.0% of the EU average. Health is the second-fastest converging area in the report, at roughly 15 years to the EU level. In addition, the shape of its performance is unusual, as outcomes are close to EU standards while the resources producing them are not.

- **Outcomes ahead of inputs, but not improving:** Life expectancy stands at 79.8 years, or 98.7% of the EU level, achieved on public health spending of 3.5% of GDP, which is 55.0% of the EU level. Few health systems in Europe convert so little expenditure into so much longevity. The EU average is 80.8 years, so an Albanian born today lives within about 12 months of it. This is a genuine strength, and it reflects primary care coverage, vaccination programmes, diet and a comparatively low chronic disease burden rather than hospital capacity. The level is high, but the direction is not positive. Relative to the EU, the indicator has drifted down by an average of 0.04 pp per year over the past 5 years and is recorded as diverging. The movement is small, and it is the only sign in this pillar that a strong outcome may not hold.
- **Infant mortality at a new low:** Infant mortality fell from 6.1 to 4.7 deaths per 1,000 live births, lifting the indicator by 20.4 pp, to 74.5% of the EU level, which represents the second-largest single improvement in the report. Because Albania records relatively few births, the indicator can move sharply from one year to the next, so a gain of this size should be interpreted with some caution. It places infant mortality 4 years from the EU average, the shortest distance in the pillar, and it continues a long-run improvement in care during pregnancy and at birth.
- **Financing as the structural weakness:** Out-of-pocket payments account for 48.3% of total health spending, which is more than two times higher than the EU level, making this the weakest indicator in the pillar and the only one beyond a 100-year horizon. Households, rather than the budget, are absorbing the difference between what the system spends and what it delivers. Public spending on health also fell 2.6 pp relative to the EU, the pillar's weakest movement.
- **Doctors are the constraint, not hospital beds:** Physician density stands at 22.7 per 10,000 inhabitants, or 53.2% of the EU level, and lost ground. Emigration of medical staff continues, and shortages concentrate in rural and underserved areas, which converts a national financing problem into a regional access problem. Hospital beds, by contrast, improved 2.0 pp, to 73.9% of the EU level.
- **Systems improving, administrative capacity the constraint:** The Health Strategy 2021-2030 and the health information system have improved data management and service digitalisation. Institutional capacity for implementation remains the constraint on translating that into access, and an ageing population driven by lower fertility, longer lives and emigration will tighten it.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's health convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget**, envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the health pillar, **life expectancy at birth** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's health convergence trajectory.

EU accession scenarios for life expectancy at birth

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	**26** years to EU
Access to EU budget:	**100+** years to EU
EU single market:	**100+** years to EU
Institutional reforms:	Divergence

Albanians already live almost as long as citizens of the EU: 79.8 years, or 99% of the EU average. With a gap that small, these projections swing widely on very little movement.

- Under the **status quo**, life expectancy is diverging from the EU average rather than closing the gap. Albania stands at 98.7% of the EU level, but the indicator has drifted down by an average of 0.04 pp per year over the past 5 years. Closing the last stretch of the gap is the expensive part, as it requires paying doctors enough to keep them in the country and covering treatment costs that households currently meet themselves.
- **Full EU accession** is the only scenario that reaches the EU average, at 26 years. It works through higher income growth and net migration, the two channels linked to life expectancy, and it turns the annual change from negative to positive. Membership also brings the health financing standards and the workforce mobility framework that neither budget access nor single market access carries.
- **Access to the EU budget** leaves the indicator beyond 100 years. Transfers reach life expectancy only indirectly, through their effect on growth, and with barely 1 pp of the gap remaining, that indirect route moves too little to register within the horizon.
- **Access to the EU single market** also leaves it beyond 100 years, although it moves the indicator further than budget access does because market access carries the net migration channel alongside its effect on growth. The ordering between the two is the informative part.
- **Institutional reforms** alone leave life expectancy diverging, as in the baseline, because control of corruption has no direct route into this indicator. Governance quality shapes how a health system is run; in the model used here, it does not affect how long Albanians live.

Policy discussion & key recommendations

Albania delivers European-level health outcomes on roughly half of Europe's relative spending. Life expectancy stands at 98.7% of the EU level on public health expenditure of 3.5% of GDP, an efficiency few systems in Europe match. It is also the second-fastest converging area in the report, at roughly 15 years to the EU level. The financing behind that result is the concern. Households meet 48.3% of total health costs from their own pockets, making this the weakest indicator in the pillar and the only one in it beyond a 100-year horizon, while physician density is falling relative to the EU as medical staff emigrate. An ageing population, driven by lower fertility, longer lives and emigration, will raise demand on both counts within the decade. Sustaining these outcomes therefore depends on how the system is financed. The recommendations move from household exposure to workforce retention to the spending path, and they close with allocation and demographic planning. The scenarios sharpen this. Life expectancy diverges under the status quo and reaches the EU average in 26 years only under full membership, while access to the EU budget and access to the single market each leave it beyond 100 years. Health is the one pillar in this report where money alone changes nothing because what membership adds is health financing standards and workforce mobility rather than transfers. That is the case for financing the recommendations below domestically and for asking the EU for health-specific instruments rather than general support.

- **Reduce household exposure to health costs:** Out-of-pocket payments, at 48.3% of total health spending, are the pillar's weakest indicator and the one households experience directly. Broadening insurance coverage, defining a benefits package and regulating pharmaceutical pricing would reduce that share and make access depend on need rather than on the ability to pay at the point of treatment.
- **Retain the workforce before expanding capacity:** Physician density is falling relative to the EU, while the number of hospital beds is rising. Salary adjustment, rural service incentives and structured professional development would do more for access than additional infrastructure. Emigration of medical personnel responds to pay and career prospects, and both are within domestic control.
- **Set a stated path for public health spending:** At 3.5% of GDP, the system carries no margin for demographic ageing. A published multi-year trajectory, funded through insurance contributions rather than annual allocation, would give hospitals a planning horizon and make future European health programming and ESF+ access absorbable rather than notional.
- **Use the health information system to direct resources:** The health information system already collects the data needed to identify where access fails, and shortages concentrate in rural and underserved districts. Using it to allocate staff and equipment against measured need, and publishing the results, would convert a reporting tool into an allocation instrument at no additional cost.
- **Rebalance from hospital beds to health centres:** Albania has relatively more hospital beds than doctors (73.9% of the EU level against 53.2%), and bed capacity rose over the year while physician density fell. Funding family medicine and chronic disease management at health-centre level treats more patients with the staff available, cuts avoidable admissions and reaches rural districts where hospitals do not. The rebalancing is broadly cost-neutral. It redirects existing staff and recurrent spending rather than requiring new capital, which matters in a system operating at 3.5% of GDP, where any recommendation carrying a fresh fiscal claim will wait.
- **Ask the EU for health-specific instruments:** The scenarios show that budget access and single market access each leave life expectancy beyond 100 years, while full membership delivers 26 years. General transfers therefore will not close this gap. What would is early access to the health acquis and its financing standards, participation in European health programmes and workforce arrangements that make staying in Albania competitive with leaving. This is the clearest case in the report for sector-specific rather than general pre-accession support.

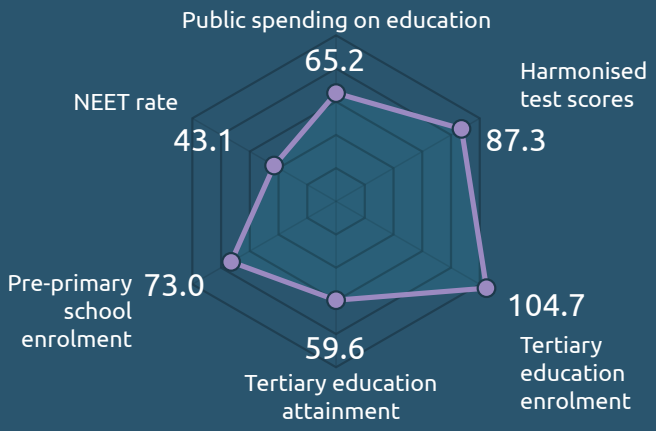
EDUCATION PILLAR

Albania, education pillar, nominal values

Indicator	Value
Public spending on education	3.1
Harmonised test scores	441
Tertiary education enrolment	84.1
Tertiary education attainment	20.4
Pre-primary school enrolment	69.2
NEET rate	20.9

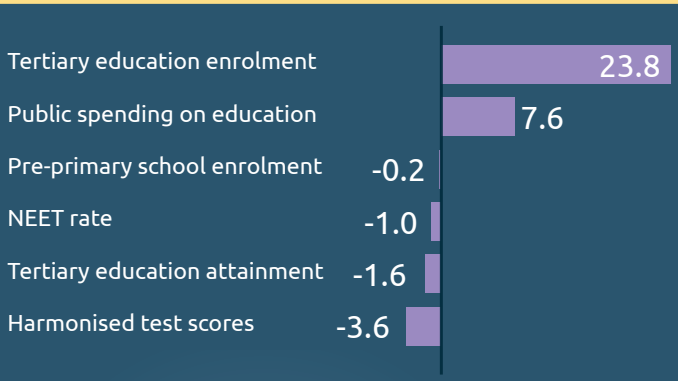
- Public spending on education in Albania stood at **3.1%** of GDP.
- Harmonised test scores stood at **441 points**.
- Tertiary education enrolment stood at **84.1%** of tertiary-age population.
- Tertiary education attainment stood at **20.4%** of corresponding age group population.
- Pre-primary school enrolment stood at **69.2%** of corresponding age group population.
- NEET rate stood at **20.9%** of the population aged 15-24.

Albania, education pillar, % of EU average



- Relative to the EU average, the best-performing education indicator was Tertiary education enrolment, standing at **105%** of the EU level.
- Harmonised test scores are second, at **87%** of the EU average.
- Pre-primary school enrolment stood at **73%** of the EU level.
- Tertiary education attainment and Public spending on education were lower, at around **60-65%** of the EU level.
- NEET rate is the weakest link, standing at just **43%** of the EU average.

Albania, education pillar, change to last year



- **2 of the 6 indicators** in the education pillar saw an improvement in 2025 relative to the EU average.
- The biggest improvement was in Tertiary education enrolment, which closed the gap to the EU level by **23.8 pp**.
- Public spending on education came second, closing **7.6 pp** of the gap to the EU average.
- Pre-primary school enrolment fell back by around **0.2 pp**, while the NEET rate and Tertiary education attainment fell back by **1 pp** and **1.6 pp**, respectively.
- Harmonised test scores was the indicator with the weakest performance, falling back by **3.6 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Public spending on education	100+
Harmonised test scores	Divergence
Tertiary education enrolment	Converged
Tertiary education attainment	Divergence
Pre-primary school enrolment	Divergence
NEET rate	100+

- Tertiary education enrolment has already converged with the EU average and is the only indicator in this pillar with a positive story.
- None of the other indicators stands close to reaching the EU benchmark any time soon if trends from the past **5 years** continue.
- Public spending on education and NEET rate recorded some improvement relative to the EU, but at a very slow pace, with more than **100 years** needed to reach the EU level at current trends.
- Harmonised test scores, Tertiary education attainment and Pre-primary school enrolment are diverging from the EU average and not on track to close the gap at recent trends.

What explains the trends in the education pillar?

Education stood at 71.4% of the EU average in 2025, down 0.4 pp from the prior year. The pillar contains the report's sharpest internal contradiction: participation at or above EU levels alongside learning outcomes and attainment that are falling behind. Access to school is largely no longer a problem, while the quality of learning remains a challenge.

- **University enrolment now matches the EU level, but not because more young people are studying:** The share of young people enrolled in higher education rose from 64.7% to 84.1% in a single year, which puts Albania at 104.7% of the EU level and makes this the only indicator in the pillar recorded as converged. The number of students, however, rose only modestly: INSTAT reports around 117,000 in 2023-24 and 122,600 in 2024-25, an increase of about 5%. The jump comes from the population used in the calculation, which the 2023 census revised downwards, leaving fewer people of university age in the count. Albania has not suddenly sent more of its young people to university; a broadly similar number of students is now measured against a smaller population. Public spending on education, at 3.1% of GDP, also improved relative to the EU in the last year.
- **Learning outcomes are slipping:** Harmonised test scores stand at 441 points, or 87.3% of the EU level, and fell 3.6 pp over the previous period. Tertiary attainment, at 20.4% of the relevant age group, is 59.6% of the EU level and also fell. The weakness lies in what students learn and in how many of them complete their studies, not in how many enrol. A roadmap targeting low-performing students has been developed following the most recent international assessment.
- **Pre-primary participation, unchanged in Albania, while the EU keeps improving:** Pre-primary enrolment stands at 69.2% of the corresponding age group, or 73.0% of the EU level, and slipped 0.2 pp relative to the EU. The slippage is not Albanian movement. The national figure has been unchanged at 69.2% since 2021, the last year for which an observation is available, so the relative decline reflects continued improvement in the EU rather than deterioration in Albania. Enrolment in absolute numbers is falling across pre-university education, by around 1% overall and by close to 3% in basic education, but that is a cohort effect and does not by itself move a participation rate. A shrinking cohort creates an opportunity to raise spending per pupil without raising the education budget, and the opportunity is still open.
- **Transition to work:** The NEET rate stands at 20.9% of young people, or 43.1% of the EU level, making this the weakest indicator in the pillar and one of two on a horizon of over 100 years. Set against an employment rate of 97.6% of the EU level, the problem is not a shortage of jobs. Rather, it lies in the move from education into the labour market.
- **Vocational reform working from a small base:** The NEET rate above is where the transition from education into work fails, and vocational education is the instrument that acts on it directly. Vocational education moved to a three-plus-one structure, the legal framework now supports dual programmes with public and private employers, and the share of upper secondary students in vocational schools rose from 17.9% to 19%. This is the clearest lever on the NEET rate – and it is working from a small base.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's education convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget**, envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the education pillar, **tertiary education enrolment** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's education convergence trajectory.

EU accession scenarios for tertiary education enrolment

Scenario	Years needed to reach the EU average
Status quo:	**Converged**
Full EU accession:	**Converged**
Access to EU budget:	**Converged**
EU single market:	**Converged**
Institutional reforms:	**Converged**

- Under the **status quo**, tertiary enrolment is already above the EU level, at 105%, so no convergence horizon is calculated. A larger share of the relevant age group enters tertiary education in Albania than in the EU on average.
- **Full EU accession** leaves the result unchanged. Tertiary enrolment is linked in the model to GDP growth, and a higher growth path cannot advance an indicator that has no remaining distance to close, so the scenario adds nothing here.
- **Access to the EU budget** likewise returns a converged result. The additional transfers raise growth and, through growth, enrolment. But the indicator already stands above the EU average, and the simulation has nothing further to contribute.
- **Access to the EU single market** produces the same answer for the same reason. Exports and mobility raise the growth path, and in the model, faster growth is the only way this scenario can affect tertiary education enrolment.
- **Institutional reforms** alone also leave the indicator converged. Control of corruption does not enter the tertiary enrolment equation directly, and its indirect effect through growth cannot change a result that already stands at the EU level.

Given the fact that Albania has already reached the EU level in tertiary education enrolment, every scenario returns the same answer. On the official figures, tertiary enrolment stands at 105% of the EU level. Enrolment is no longer where the gap lies, so the scenarios have nothing further to offer here. Two qualifications follow. The crossing is a statistical effect rather than a real change: as the trends section explains, the number of students rose only modestly, and the rate rose because the 2023 census reduced the university-age population. In addition, the indicators in this pillar that are moving in the wrong direction (harmonised test scores, at 87% of the EU level; tertiary attainment, at around 60%; and the NEET rate, at 43%) are not the ones simulated. The lack of any difference between the scenarios here therefore reflects the limits of the single indicator chosen for this pillar rather than the state of Albanian education, and the policy discussion below is framed against the indicators that are diverging.

Policy discussion & key recommendations

The difficulty in this pillar lies in what happens after enrolment. Tertiary enrolment stands above the EU average and is the only indicator in the pillar recorded as converged, while harmonised test scores have fallen to 87% of the EU level, tertiary attainment stands at 60%, and the NEET indicator stands at 43% of the EU level. The system enrols young people at European rates and falls short on the qualifications and skills it is meant to deliver. Two developments make this a favourable moment to act. Pre-university enrolment is falling by around 1% a year as cohorts shrink, which raises available resources per pupil without a new budget claim. Vocational education has moved to a three-plus-one structure with a legal basis for dual programmes, and its share of upper secondary enrolment is rising. The recommendations direct the first of those towards quality and build on the second.

- **Direct the demographic dividend towards quality:** Enrolment across pre-university education is falling by around 1% a year, and by close to 3% in basic education. Holding the education budget constant while cohorts shrink would fund teacher training, curriculum reform and school infrastructure without competing for new fiscal space. The window is open now and closes as the cohorts pass through.
- **Scale dual vocational training:** At 19% of upper secondary enrolment, up from 17.9%, vocational education is the working instrument against a NEET rate at 43% of the EU level. Expanding employer-based places under the new legal framework, with public and private employers, offers the shortest available route from education into employment in a labour market that already has jobs.
- **Close the loop on learning outcomes:** The roadmap for low-performing students requires standardised assessment that feeds back into teacher practice; otherwise, high enrolment will continue to sit alongside falling attainment. Building a reliable monitoring system, and using it to close the gap with European Education Area targets, is aligned with accession requirements and what makes the rest of the education agenda measurable.
- **Address the NEET rate as a transition problem:** One young Albanian in five is neither in work nor in education, against an employment rate near European levels. That combination points to the transition between school and work rather than to a shortage of jobs as the problem. Career guidance in upper secondary education, work placements and active outreach to young people already outside both systems would target it directly.
- **Invest in the early years:** Pre-primary enrolment stands at 69.2%, or 73% of the EU level, and slipped over the year. Early education is the stage at which learning gaps open – and at which they close most cheaply – and expanding provision also removes a barrier to female labour market participation recorded in the social pillar. In other words, two pillars improve on the same investment.
- **Close the gap between enrolment and completion:** Tertiary enrolment has converged at 105% of the EU level, while attainment stands near 60% of the EU level and has not moved in the national series since 2023, so its relative decline reflects continued progress in the EU. A larger share of young people enrol in university than in the EU, and far fewer leave with a degree, which makes completion, not access, the binding constraint. Student support targeted at the first 2 years, where dropout concentrates, and programme-level reporting of completion rates would address the indicator that is actually diverging.

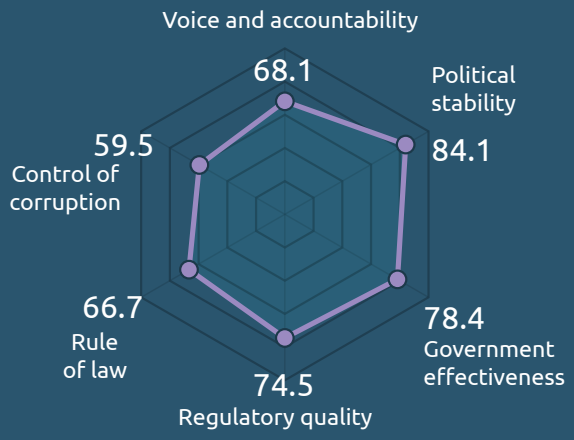
GOVERNANCE PILLAR

Albania, governance pillar indicators, nominal values

Indicator	Value
Voice and accountability	49.8
Political stability	50.4
Government effectiveness	56.2
Regulatory quality	52.7
Rule of law	47.6
Control of corruption	41.6

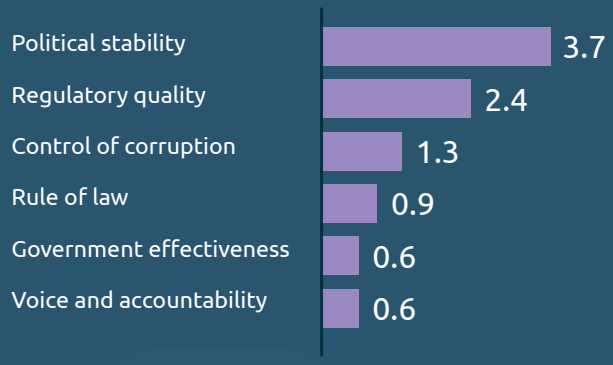
- Voice and accountability in Albania stood at **49.8** index points (**0–100 scale**).
- Political stability stood at **50.4** index points (**0–100 scale**).
- Government effectiveness stood at **56.2** index points (**0–100 scale**).
- Regulatory quality stood at **52.7** index points (**0–100 scale**).
- Rule of law stood at **47.6** index points (**0–100 scale**).
- Control of corruption stood at **41.6** index points (**0–100 scale**).

Albania, governance pillar, % of EU average



- Relative to the EU average, the best-performing governance indicator was Political stability, standing at **84%** of the EU level.
- Government effectiveness and Regulatory quality follow, standing at around **75%** of the EU average.
- Voice and accountability and Rule of law were lower, at around **67%** of the EU level.
- Control of corruption remains the weakest link in Albania, standing at just **60%** of the EU average.

Albania, governance pillar, change to last year



- All **6 indicators** in the governance pillar saw an improvement in 2025 relative to the EU average.
- The biggest improvement was in Political stability, which closed the gap to the EU level by **3.7 pp**.
- Regulatory quality was second, closing **2.4 pp** of the gap.
- Control of corruption and Rule of law followed, closing approximately **1 pp** of the gap to the EU average.
- Government effectiveness and Voice and accountability saw the smallest improvement, at **0.6 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Voice and accountability	Divergence
Political stability	12
Government effectiveness	13
Regulatory quality	42
Rule of law	32
Control of corruption	58

- At the pace of improvement from the past **5 years**, Political stability and Government effectiveness would close the gap to the EU average in slightly more than a decade.
- Rule of law and Regulatory quality would need around **3-4 decades** to close the gap to the EU average.
- Control of corruption is further away, at around **6 decades** from the EU level.
- Voice and accountability is diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the governance pillar?

Governance stands at 71.9% of the EU average, the second-highest of the eight areas, after digitalisation. **All six indicators improved**, which is not true of any other pillar in the report, **and the pillar reaches the EU average in 37 years.** The gains are unevenly distributed across the six indicators, and that distribution is the substance of this section.

- **Administrative capability at the top of the pillar:** Political stability stands at 84.1% of the EU level, the highest single governance reading, and gained 3.7 pp. Government effectiveness reached 78.4%, and regulatory quality 74.5%, with the latter gaining 2.4 pp. Administrative modernisation and digital service delivery are the visible drivers – and the same capabilities that produced the digitalisation pillar's results.
- **Corruption and rule of law as the structural gap:** Control of corruption stands at 59.5% of the EU level, making it the weakest governance indicator. At the current rate of progress, it would take nearly 6 decades to reach the EU level. Rule of law is at 66.7%. These are the two dimensions that determine whether reform is felt rather than merely announced, and they are improving from the lowest base in the pillar.
- **Voice and accountability, the pillar's one divergence:** Voice and accountability, at 68.1%, gained 0.6 pp, the smallest gain of the six, and it is the one indicator recorded as diverging over 5 years. Gains in the other five indicators carry the pillar's 37-year horizon. Consultation on draft legislation, access to information and the standing of civil society in monitoring reform are what that indicator measures.
- **The external anchor:** Albania has opened all six negotiating clusters, and closing benchmarks have now been defined for each. Those benchmarks convert governance from a diffuse aspiration into a specified list of conditions with a timetable attached. That is a materially stronger driver than in any previous reporting period, and it applies most directly to the two indicators furthest behind.

EU accession scenarios

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- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the governance pillar, **control of corruption** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's convergence trajectory.

EU accession scenarios for control of corruption

Scenario	Years needed to reach the EU average
Status quo:	**58** years to EU
Full EU accession:	**48** years to EU
Access to EU budget:	**58** years to EU
EU single market:	**58** years to EU
Institutional reforms:	**48** years to EU

- Under the **status quo**, Albania needs 58 years to reach the EU average in this indicator at the pace of the past 5 years, which has been 0.7 pp a year from a level of 59.5% of the EU average.
- **Full EU accession** brings it to 48 years. The whole of that gain comes from the institutional channel, a one-off improvement in control of corruption attributed to membership itself, rather than from the money or the market access that accompany it. With all six negotiating clusters open and the closing benchmarks set, the reforms needed to complete the negotiations are the same ones that would deliver this gain.
- **Access to the EU budget** yields the same result as the baseline, at 58 years. In the model, budget transfers do not affect control of corruption, so European money leaves this indicator exactly where domestic policy leaves it. The relationship runs in the opposite direction: control of corruption decides whether EU transfers become finished projects or have to be returned, so progress here raises the value of European funding in every other area of this report.
- **Access to the EU single market** also yields the baseline result of 58 years – and for the same reason. Trade and mobility raise incomes, but neither of them improves the quality of Albanian institutions in the way that the reform effort itself does.
- **Institutional reforms** alone converge to the EU level in 48 years, the same result as full membership. Everything that membership delivers on this indicator, Albania can deliver without it, which means Albania does not need European money to make progress here. It is the only indicator in this report on which domestic reform matches membership.

Policy discussion & key recommendations

Governance is the pillar where European resources change least. Domestic reform delivers the same convergence horizon as full EU accession, while access to the EU budget and access to the single market do not deliver any improvement relative to the baseline, which places the outcome in Albanian hands. All six indicators improved in the most recent observed year, which no other pillar in the report matches, and the pillar reaches the EU average in 37 years, with voice and accountability being the one component still recorded as diverging. That horizon is not comparable with the scenario figures above, which only model control of corruption, the pillar's weakest dimension, at 58 years under the baseline. Albania also leads its Western Balkan peers on both Reform Agenda step fulfilment and fund absorption. Control of corruption, at 59.5% of the EU level, and rule of law, at 66.7%, remain the weakest dimensions and the two dimensions that citizens and firms encounter directly. Two features of the present moment favour action. Closing benchmarks are now specified across all six negotiating clusters, which gives the reform programme a timetable. And governance capacity determines what every other pillar can absorb, so reform here raises the return on all remaining European funding. The recommendations begin with integrity, move through administration and absorption, and close with implementation and accountability.

- **Complete the judicial and integrity architecture:** Control of corruption, at 59.5% of the EU level, is the weakest point of the pillar and the one that most shapes the decisions of investors and the trust of citizens. The transitional vetting of judges and prosecutors has been completed, including the appeal phase; the reform has now entered the post-vetting phase, focused on sustaining integrity, accountability and professional standards through the permanent justice institutions. The task now is to build on it by extending integrity checks to senior public officials and moving asset declarations onto automated verification. These steps would turn institutional change into measurable results, and they are among the conditions set for closing the negotiations rather than optional additions.
- **Protect administrative gains from political cycles:** Merit-based recruitment and stable tenure are what make administrative gains survive a change of government. Government effectiveness has reached 78.4% of the EU level on the strength of administrative modernisation, and protecting that gain requires insulating appointments from political cycles rather than adding further reform layers.
- **Build absorption capacity alongside the benchmarks:** Procurement, project management, audit and statistical capacity decide whether Growth Plan and later cohesion funding are turned into finished roads, schools and plants. EU funds come with deadlines and rules. Money not used in time is withdrawn, and money spent in breach of the rules has to be paid back. Where capacity is weak, Albania risks losing part of the funding it has been allocated. In practice, this means a draft partnership agreement, a costed project pipeline,

designated structures with defined functions, a functioning electronic management and information system, and public accounting aligned with international public-sector standards. These reforms carry an immediate fiscal return and merit front-loading.

- **Make implementation visible:** Around two thirds of Reform Agenda steps are defined by outputs (e.g. the adoption of a law, strategy or plan) rather than by measurable results. **Albania leads its Western Balkan peers on step fulfilment and fund absorption, and the Commission's 2025 report still finds implementation trailing adoption where it matters most: from the justice strategy to the follow-up of audit recommendations. Publishing implementation evidence alongside adoption as well as reporting against outcomes where they can be measured would let Albania's record be seen in full.**

- **Strengthen voice and accountability:** At 68.1% of the EU level, voice and accountability improved the least of the six indicators and is the one recorded as diverging over 5 years. Meaningful public consultation on draft legislation, timely responses to access-to-information requests and a stable role for civil society in monitoring reform would address the dimension on which the pillar's 5-year trend currently rests.

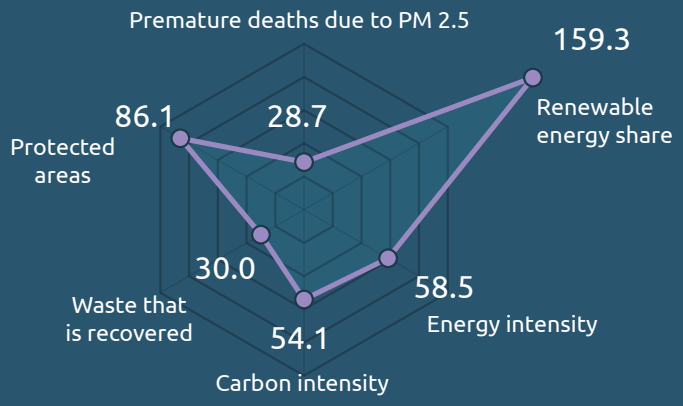
ENVIRONMENT PILLAR

Albania, environment pillar indicators, nominal values

Indicator	Value
Premature deaths due to PM 2.5	196
Renewable energy share	97.3
Energy intensity	161
Carbon intensity	317
Waste that is recovered	23.2
Protected areas	23.1

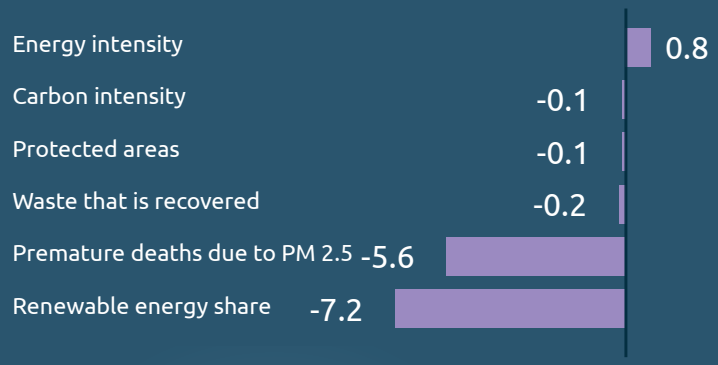
- ★ Premature deaths due to **PM 2.5** in Albania stood at **196 per 100,000** of population aged **30 and over**.
- ★ Renewable energy share stood at **97.3%** of total capacity.
- ★ Energy intensity stood at **161 KGOE** per thousand euros of GDP in chain-linked volumes (2015).
- ★ Carbon intensity stood at **317 kg per thousand euros** of GDP in chain-linked volumes (2015).
- ★ Waste that is recovered stood at **23.2%** of total diverted waste.
- ★ Protected areas stood at **23.1%** of land area.

Albania, environment pillar, % of EU average



- ★ Relative to the EU average, the best-performing environment indicator was Renewable energy share, standing at **159%** of the EU level.
- ★ Protected areas are second, at **86%** of the EU average.
- ★ Energy intensity and Carbon intensity are further back, at around **56%** of the EU benchmark.
- ★ Waste that is recovered and Premature deaths due to **PM 2.5** are the weakest points, at around just **30%** of the EU average.

Albania, environment pillar, change to last year



- ★ Only **1 of the 6 indicators** in the environment pillar saw an improvement in 2025 relative to the EU average.
- ★ That was Energy intensity, which closed the gap to the EU level by **0.8 pp**.
- ★ Carbon intensity, Protected areas and Waste that is recovered worsened slightly relative to the EU level, by between **0.1** and **0.2 pp**.
- ★ Premature deaths due to **PM 2.5** worsened significantly relative to the EU benchmark, widening the gap by 5.6 pp.
- ★ Renewable energy share was the indicator with the weakest performance, falling back by **7.2 pp** relative to the EU average, though it remains much higher than the EU level.

Indicator/ years to EU

Indicator	years to EU
Premature deaths due to PM 2.5	Divergence
Renewable energy share	Converged
Energy intensity	61
Carbon intensity	87
Waste that is recovered	99
Protected areas	36

- ★ At the pace of improvement from the past **5 years**, Protected areas would need around **4 decades** to close the gap to the EU average.
- ★ Energy intensity comes second, at around **6 decades** away.
- ★ Carbon intensity and Waste that is recovered lag further behind, needing around **9-10 decades** to reach the EU level.
- ★ Premature deaths due to **PM 2.5** is diverging from the EU average and not on track to close the gap at recent trends.
- ★ Renewable energy share has already converged with the EU average.

What explains the trends in the environment pillar?

The environment pillar stood at 59.6% of the EU average in 2025, unchanged over the year and the only pillar on a horizon to converge to the EU level beyond a century. The aggregate conceals an unusually wide internal spread, from renewable generation (at 159% of the EU level) to pollution mortality (at 29%). Albania's environmental position is not weak across the board; it is exceptional in one dimension and among the weakest in Europe in the others.

- **The renewable example:** Renewables account for 97.3% of installed capacity, or 159.3% of the EU level, and the indicator is recorded as converged. It also lost 7.2 pp over the year, the pillar's largest single movement, but this reflects faster growth of renewable capacity in the EU rather than a loss in Albania. Hydropower dominance is a genuine structural advantage and a genuine exposure, as output varies with rainfall. Diversification into solar and wind is what converts the advantage into security.
- **Air quality as the human cost:** Premature deaths attributable to fine particulates stand at 196 per 100,000 of the population aged 30 and over, or more than three times higher than the EU average (28.7% of the EU level), and it lost a further 5.6 pp last year. This is the weakest indicator in the pillar as well as the one with the most direct impact on citizens.
- **Efficiency and carbon:** Energy intensity, at 58.5% of the EU level, was the only indicator to improve in the previous year, by 0.8 pp. Carbon intensity stands at 54.1%. Both are held back by the same causes: an ageing building stock, limited renovation financing and a transport system dependent on road freight.
- **Waste as the persistent gap:** Recovery reached 23.2% of diverted waste, or 30.0% of the EU level. Recycling infrastructure is minimal, and enforcement of environmental standards is weak. This has been the pillar's structural weakness for a decade, and it is where a single instrument – recycling capacity with enforcement behind it – would deliver fastest.
- **Protected areas and enforcement:** Protected areas stands at 86.1% of the EU level, the pillar's second-strongest reading, and is on a 4-decade horizon to reach the EU average, although recent amendments to the protected-areas law narrowed the protection those areas carry. Inspection capacity weakened further over the reporting period, which limits how far adopted standards can translate into results.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's environmental convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget**, envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the environmental pillar, **energy intensity** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's environmental convergence trajectory.

EU accession scenarios for energy intensity

Scenario	Years needed to reach the EU average
Status quo:	**61** years to EU
Full EU accession:	**24** years to EU
Access to EU budget:	**36** years to EU
EU single market:	**36** years to EU
Institutional reforms:	**56** years to EU

Energy efficiency is one of the two indicators in this report that respond most strongly to EU integration.

- Under the **status quo**, energy intensity reaches the EU average in 61 years. Albania stands at 58.5% of the EU level and has been improving by 0.7 pp a year, which is the pace the baseline carries forward.
- **Full EU accession** cuts that to 24 years, more than halving the time needed, a response matched only by ICT services exports. Efficiency comes from replacing capital assets (e.g. boilers, windows, factory equipment and freight vehicles), and membership brings both the financing that pays for replacement and the standards that require it. For households and firms, the return arrives in the form of lower heating bills and less exposure to fluctuations in the prices of imported energy.
- **Access to the EU budget** brings it to 36 years. Structural funds are the instrument through which building renovation and industrial retrofit are financed in member states, and energy intensity is linked in the model to growth and control of corruption.
- **Access to the EU single market** produces an almost identical 36 years. Exposure to European product requirements and to competition in European markets forces the same capital replacement that structural funds would otherwise pay for, arriving at the same horizon via a different route.
- **Institutional reforms** alone reduce the time needed to reach the EU level to 56 years. This is the largest effect the institutional channel has anywhere outside governance, as enforcement of efficiency standards is itself a governance function and enters this equation directly. Regulation sets the standard, but financing pays for the replacement, which is why the three scenarios that bring money reach 24-36 years.

Policy discussion & key recommendations

Environment is the pillar where European financing changes most and where Albania faces **the longest convergence horizon of any converging pillar.** Together with ICT services exports, energy intensity is the indicator that responds most strongly to integration, with full EU accession cutting its horizon from 61 years to 24, as efficiency comes from replacing capital and capital replacement requires financing. The pillar contains the widest internal spread in the report. While the renewable share of installed capacity stands at 159% of the EU level and is recorded as converged, the indicator for premature deaths from fine particulates stands at 29% and waste recovery at 30%. **Three policy instruments are close to completion: the updated National Energy and Climate Plan has finished consultation, and draft laws on energy efficiency and eco-design have completed public consultation.** None has been adopted yet. In addition, enforcement capacity has weakened over the reporting period. The recommendations therefore concern adoption, enforcement and diversification rather than new strategy.

- **Adopt the updated National Energy and Climate Plan:** Consultation is complete, and adoption is what makes efficiency and diversification investment bankable. The Second National Adaptation Plan, adopted in June 2026, covers climate resilience; the energy and climate plan sets the efficiency and decarbonisation pathway and remains outstanding. The plan is the document that unlocks Green Agenda financing, and the scenarios identify energy efficiency as the indicator most responsive to exactly that financing. Adoption converts a 24-year modelling result into a fundable programme.
- **Build inspection and assessment capacity:** Environmental and strategic impact assessments are only partially aligned with the acquis, and the inspectorate's staffing has not kept pace with the volume of assessments. Strengthening both is what turns adopted standards into measurable results on waste recovery, at 30% of the EU level, and on air quality, at 29%. Enforcement capacity is also among the specified closing conditions.
- **Diversify generation beyond hydropower:** Renewables account for 97.3% of installed capacity, and the fall of 7.2 pp over the last year reflects faster growth of renewable capacity in the EU rather than any loss in Albania. Because almost all of that capacity is hydropower, the advantage depends on rainfall. Adding solar and wind capacity would convert a weather-dependent advantage into energy security, and, combined with the grid investment recorded in the infrastructure pillar, it would open an export position.
- **Adopt the energy efficiency and eco-design laws:** The law on the energy performance of buildings, adopted in June 2025, has set the standard for new and renovated buildings. The draft Law on Energy Efficiency and the draft law on eco-design requirements for energy-related products both completed public consultation by December 2025, but neither has been adopted yet. They are the instruments through which the energy-efficiency obligation and product standards reach households and firms, and the efficiency gains the scenarios identify cannot be delivered without them. Adoption is a legislative decision rather than a financing one.

- **Build the climate monitoring framework:** The monitoring, reporting, verification and accreditation framework is a prerequisite for an emissions trading system by 2030. Although due in December 2025, it remains to be completed. Establishing it would give Albania the measurement basis for carbon pricing, for the carbon border adjustment mechanism (CBAM) its exporters will face, and for credible reporting on the carbon-intensity indicator recorded here.
- **Cut air pollution at source:** The indicator for premature deaths from fine particulates stand at 29% of the EU level, and the indicator is worsening. The sources are identifiable: an ageing vehicle fleet, solid-fuel household heating and construction dust in urban areas. Vehicle emission standards with roadworthiness enforcement, support for cleaner household heating, and extending monitoring beyond Tirana would address the pillar's weakest indicator directly, and the health returns would arrive faster than from any other environmental measure.
- **Build the basic waste recovery chain:** Waste recovery, at 30% of the EU level, is the pillar's second-weakest indicator and the one furthest from any European target. Separate collection in the larger municipalities, sorting and recycling capacity, and extended producer responsibility for packaging are the minimum sequence, and municipal capacity is the binding constraint on each. Landfill charges that make recovery the cheaper option would fund the transition rather than compete with it for budget funding.

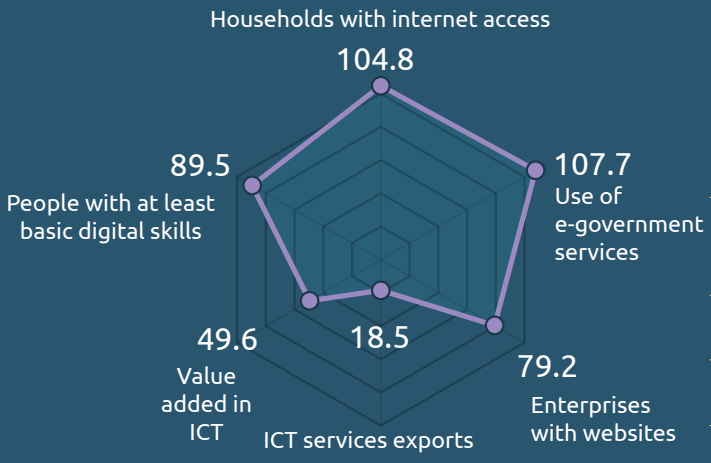
DIGITALISATION PILLAR

Albania, digitalisation pillar indicators, nominal values

Indicator	Value
Households with internet access	99.3
Use of e-government services	62.1
Enterprises with websites	61
ICT services exports	1.0
Value added in ICT	2.8
People with at least basic digital skills	77.4

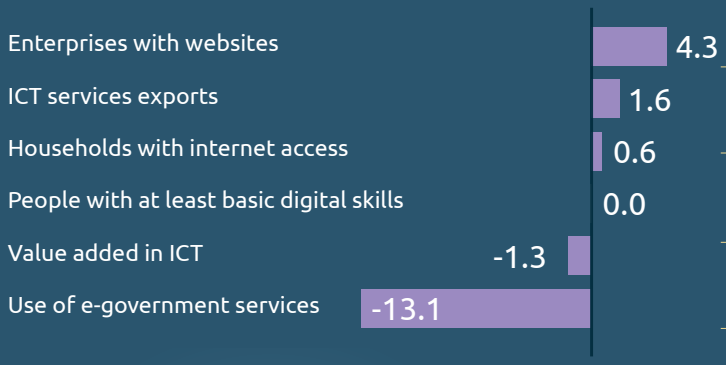
- ★ Households with internet access in Albania stood at **99.3%**.
- ★ Use of e-government services stood at **62.1%** of population.
- ★ Enterprises with websites stood at **61%**.
- ★ ICT services exports stood at **1.0%** of GDP.
- ★ Value added in ICT stood at **2.8%** of total value added.
- ★ People with at least basic digital skills stood at **77.4%**.

Albania, digitalisation pillar, % of EU average



- ★ Two indicators from this pillar are already better than the EU average: Use of e-government services, standing at **108%** of the EU level, and Households with internet access, at **105%** of the EU average.
- ★ People with at least basic digital skills and Enterprises with websites are at **90%** and **80%** of the EU level, respectively.
- ★ Value added in ICT is lower, at around **50%** of the EU level.
- ★ ICT services exports remain the weakest link, standing at just **19%** of the EU average.

Albania, digitalisation pillar, change to last year



- ★ **3 of the 6 indicators** in the digitalisation pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Enterprises with websites, which closed the gap to the EU level by **4.3 pp**.
- ★ ICT services exports and Households with internet access improved by **1.6** and **0.6 pp** relative to the EU average, respectively.
- ★ People with at least basic digital skills stagnated, while Value added in ICT widened its gap to the EU level by **1.3 pp**.
- ★ Use of e-government services was the indicator with the weakest performance, falling back by **13.1 pp** relative to the EU average (though still exceeding the EU level).

Indicator/ years to EU

Indicator	years to EU
Households with internet access	Converged
Use of e-government services	Converged
Enterprises with websites	11
ICT services exports	77
Value added in ICT	Divergence
People with at least basic digital skills	5

- ★ At the pace of improvement from the past **5 years**, People with at least basic digital skills need **5 years** to close the gap to the EU average, while Enterprises with websites would need around **11 years**.
- ★ ICT services exports lag behind, needing around **8 decades** to reach the EU level.
- ★ Value added in ICT is diverging from the EU average rather than converging.
- ★ Households with internet access and Use of e-government services have already converged with the EU average.

What explains the trends in the digitalisation pillar?

Digitalisation stood at 72.8% of the EU average in 2025, making it Albania's strongest pillar and the fastest-converging one in the report, at 9 years to EU level. The pillar advanced 0.8 pp over the prior year, while its most visible indicator, use of e-government services, fell 13.1 pp after gaining 30.6 pp the year before.

- **What actually happened to e-government:** Reported use of e-government services fell from 67.9% to 62.1% of the population in 2025, following an unusually high reading in 2024. The decline reflects a real change in Albania rather than a rise in the EU average. Since May 2022, most public services can only be requested online through the e-Albania portal, so using them is largely a matter of necessity rather than choice. Albania nonetheless remains above the EU level, at 107.7%, and the indicator is still recorded as converged.
- **Connectivity is complete:** Household internet access reached 99.3%, or 104.8% of the EU level. Albania is ahead of the EU on this measure, and there is no remaining access gap to close. Digital skills stand at 89.5% of the EU level.
- **Business adoption is the year's real gain:** Enterprises with websites rose from 57.7% to 61%, gaining 4.3 pp to reach 79.2% of the EU level, which represents the strongest movement in the pillar. Private digital adoption is now advancing faster than public service use, which is a healthier composition than last year's.
- **The tradable gap:** ICT services exports stand at 1.0% of GDP, or 18.5% of the EU level, making this the weakest indicator in the pillar despite a 1.6 pp gain. Value added in ICT fell to 2.8% of total value added, at 49.6% of the EU level, and is diverging. While both indicators are below the EU levels, ICT value added is the higher of the two, implying that ICT activity in Albania is oriented towards the local market rather than foreign customers. Three features of the sector point the same way: Firms are small and sell services rather than products, so revenue follows individual contracts rather than anything that scales across borders. Basic digital skills are close to European levels, at 89.5%, while the advanced skills an export sector requires are not evident in the export figures. And Albanian digital trust services are not yet recognised in the EU, which is among the specified closing conditions in this area. Reducing this gap will take measures geared towards supporting ICT exports.
- **Consumption ahead of production:** Connectivity stands at 104.8% of the EU level and e-government at 107.7%, while ICT services exports stand at 18.5% and value added in ICT at 49.6%. Albanians use digital services at European levels, and Albanian firms do not yet produce them at European levels (and export them even less). Closing that distance is what would turn a public administration achievement into a source of growth.
- **The regulatory foundations:** A national cybersecurity emergency and crisis response team was established in December 2025 in line with NIS2 requirements, and a legal framework for start-up support featuring a grant scheme for small firms, incubators and accelerators was put in place at the end of the year. Albania has also reported joining the EU's trusted list for validation of advanced electronic signatures, a step towards mutual recognition of digital trust services. These are the foundations that a digital export sector would need.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's digitalisation convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership,** assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget,** envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market,** meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms,** capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average.**

For the digitalisation pillar, **ICT services exports** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's digitalisation convergence trajectory.

EU accession scenarios for ICT services exports

Scenario	Years needed to reach the EU average
Status quo:	**77** years to EU
Full EU accession:	**29** years to EU
Access to EU budget:	**54** years to EU
EU single market:	**35** years to EU
Institutional reforms:	**77** years to EU

Albania's digital sector has more to gain from opening up than almost anything else in the economy.

- Under the **status quo,** ICT services exports reach the EU average in 77 years. Albania stands at 18.5% of the EU level, the weakest indicator in an otherwise fast-converging pillar, and has been improving by 1.1 pp a year.
- **Full EU accession** cuts that to 29 years, the largest absolute acceleration recorded in this report. ICT exports respond to growth, EU budget transfers and exports to the EU, and full membership is the only scenario that brings all three into play at once.
- **Access to the EU budget** brings it to 54 years. Transfers raise ICT exports both through the growth path and directly, which makes money useful here, and it is still considerably less effective than opening the market to Albanian providers.
- **Access to the EU single market** alone reduces the gap to 35 years, the strongest single market effect anywhere in this report. Digital services are not subject to the transport, border and customs costs that constrain goods trade, so market access is the dominant requirement for such firms. Albanian firms could serve the European market today; what they lack are advanced skills and the EU recognition of Albanian digital trust services.
- **Institutional reforms** alone leave the figure at 77 years, unchanged from the baseline. Governance quality does not by itself create foreign customers for Albanian digital services, and in the model, control of corruption has no direct effect on ICT exports.

Policy discussion & key recommendations

Albania consumes digital services at European levels and produces them at a fraction of that. Household connectivity stands at 99.3%, and use of e-government services remains above the EU average even after falling over the year, while ICT services exports stand at 1.0% of GDP and value added in ICT has fallen to 2.8% and is diverging. The sector's domestic output exceeds its exports by a wide margin, which means that Albanian ICT firms are serving the home market rather than international ones, and a market of that size caps how far they can grow. The pillar is nonetheless the fastest-converging one in the report, at 9 years to the EU level, and the composition of that convergence is shifting. Business adoption produced the strongest gain of the year as enterprises with websites rose to 79% of the EU level, while public service use fell back after an exceptional rise the year before. The scenarios identify this pillar as the one with the most to gain from single market access – and by a wider margin than any other indicator in the report. The recommendations therefore concentrate on converting digital capability into digital earnings.

- **Build export capacity in digital services:** ICT services exports, at 1.0% of GDP, are the pillar's weakest indicator and the one most responsive to market access. Skills pipelines aimed at tradable services as well as firm-level support for companies selling abroad would convert existing connectivity into export earnings. Single market access alone would cut the convergence horizon from 77 to 35 years, and Albanian firms need to be ready to use it.
- **Consolidate the gains in e-government:** Use of e-government services stands at 107.7% of the EU level, which is above the European average, after a fall of 13.1 pp that followed a rise of 30.6 pp the year before. Service reliability, usability and measured take-up are what hold a position already won. Stabilising the platform at that level is a stronger result than adding further services to it.
- **Complete alignment with the digital acquis:** Regulatory independence in electronic communications, digital services, digital trust and cybersecurity is among the specified closing conditions, and it is also what will allow Albanian digital trust services to be recognised in the EU. The cybersecurity response team established in December 2025 is a start, and the regulatory framework around it will determine whether Albanian firms can sell into European markets.
- **Grow value added in ICT:** Value added in ICT has fallen to 2.8% of total value added and is diverging from the EU, so digital activity is not moving into higher-value work. The start-up framework and grant scheme established at the end of 2025 provide an instrument, and directing it towards firms building products rather than providing services would raise the value retained in Albania.
- **Turn basic digital skills into advanced ones:** Basic digital skills stand at 89.5% of the EU level, which is sufficient for citizens to use digital services but insufficient to staff a digital export sector. Advanced training, university programmes aligned with employer demand, and retention of graduates would address the constraint that firm-level support alone cannot resolve.

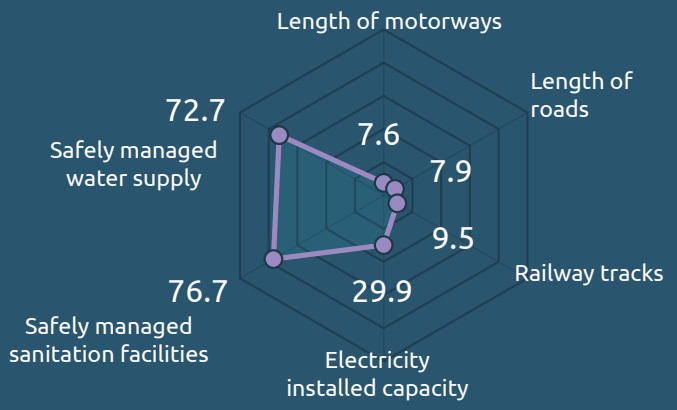
INFRASTRUCTURE PILLAR

Albania, infrastructure pillar indicators, nominal values

Indicator	Value
Length of motorways	17
Length of roads	1,276
Railway tracks	88
Electricity installed capacity	1,250
Safely managed sanitation facilities	69.3
Safely managed water supply	70.8

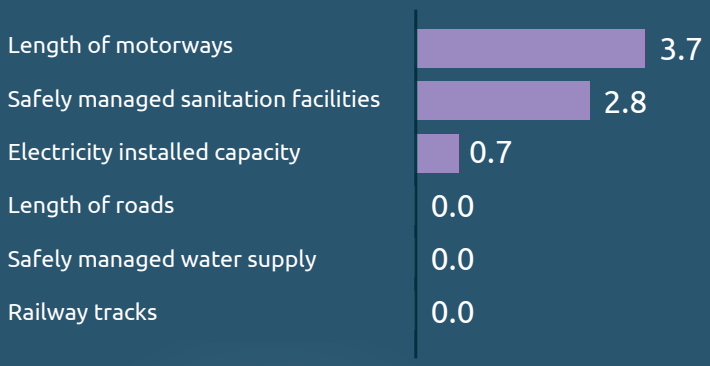
- ★ Length of motorways in Albania stood at **17 km per 10,000 km2.**
- ★ Length of roads stood at **1,276 km per 10,000 km2.**
- ★ Railway tracks stood at **88 km per 10,000 km2.**
- ★ Electricity installed capacity stood at **1,250 MW per 10,000 km2.**
- ★ Safely managed sanitation facilities stood at **69.3%** of population.
- ★ Safely managed water supply stood at **70.8%** of population.

Albania, infrastructure pillar, % of EU average



- ★ Relative to the EU average, the best-performing infrastructure indicator was Safely managed sanitation facilities, standing at **77%** of the EU level.
- ★ Safely managed water supply was close behind, at around **73%** of the EU average.
- ★ Electricity installed capacity was behind, at **30%** of the EU level.
- ★ The remaining three indicators – Railway tracks, Length of roads and Length of motorways – were far behind, at around just **8-9%** of the EU average.

Albania, infrastructure pillar, change to last year



- ★ **3 of the 6 indicators** in the infrastructure pillar saw an improvement in 2025 relative to the EU average.
- ★ The biggest improvement was in Length of motorways, which closed the gap to the EU level by **3.7 pp**.
- ★ Safely managed sanitation facilities was close behind, closing **2.8 pp** of the gap to the EU average.
- ★ Electricity installed capacity improved by **0.7 pp** relative to the EU level.
- ★ Safely managed water supply, Length of roads, and Railway tracks stagnated, showing virtually no change relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Length of motorways	61
Length of roads	Divergence
Railway tracks	100+
Electricity installed capacity	100+
Safely managed sanitation facilities	8
Safely managed water supply	Divergence

- ★ At the pace of improvement from the past **5 years**, Safely managed sanitation facilities would need around **8 years** to close the gap to the EU average.
- ★ Length of motorways lags further behind, needing around **6 decades** to reach the EU level.
- ★ Railway tracks and Electricity installed capacity remain far slower, with more than 100 years needed to reach the EU level at current trends.
- ★ Length of roads and Safely managed water supply are diverging from the EU average and not on track to close the gap at recent trends.

What explains the trends in the infrastructure pillar?

Infrastructure stood at 34.1% of the EU average in 2025, gaining 0.1 pp, and it remains the weakest pillar in the report alongside the economic one. Within it, the split is stark. Water and sanitation reach roughly three quarters of EU levels, yet transport networks reach less than a tenth. Albania's infrastructure deficit is specifically a transport deficit.

- **Transport density:** Motorways stand at 17 km per 10,000 km², or 7.6% of the EU level, and roads at 7.9%. Railway tracks are at 9.5% and did not move. Motorways nevertheless recorded the pillar's strongest gain, at 3.7 pp, which represents the largest annual movement in this indicator in the series.
- **Projects are advancing:** The Tirana-Durrës railway and its airport connection are approximately 80% complete. These are real additions to a very small base. Corridor VIII, the connection towards North Macedonia, saw no significant progress in the reporting period.
- **Delivery is the constraint, not financing:** Under-execution of public investment recurs year after year and is explicitly slowing the build-up of the capital stock. Reconstruction of the rail network depends heavily on external financing, and there are systematic delays in signing loan and grant agreements with international financial institutions, accompanied by significant cost increases against original estimates. The Road Asset Management System is not being used to its full extent, so inadequate maintenance erodes assets that have already been paid for.
- **Water and sanitation are the pillar's converging half:** Safely managed sanitation reaches 69.3% of the population, or 76.7% of the EU level, gaining 2.8 pp and on an 8-year convergence horizon, the shortest in the pillar. Water supply reaches 70.8% of the population.
- **Electricity capacity as the pillar's second deficit:** Installed capacity stands at 1,250 MW per 10,000 km², or 29.9% of the EU level, and improved 0.7 pp over the prior year. Albania inherited a high renewable share from an earlier period of hydropower building, but generation capacity itself has not seen any new investment of consequence since then, which leaves it well below the EU level and makes it the constraint on exploiting the renewable position recorded in the environment pillar.
- **Transport and grid limits constrain the other pillars:** Transport density limits trade, tourism outside the coastal corridor and regional integration, and grid capacity limits energy exports. Infrastructure is the pillar through which the weaknesses of the economic and environment pillars are transmitted.

EU accession scenarios

To better understand how different EU integration pathways might influence Albania's infrastructure convergence, we estimate and simulate the same four scenarios from above:

- **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- **Access to the EU budget**, envisioning Albania receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- **Institutional reforms**, capturing a scenario in which Albania implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the infrastructure pillar, **length of roads** is used as the single indicator representing the pillar to model how different EU integration pathways might affect Albania's infrastructure convergence trajectory.

EU accession scenarios for Length of roads

Scenario	Years needed to reach the EU average
Status quo:	**Divergence**
Full EU accession:	**100+** years to EU
Access to EU budget:	**Divergence**
EU single market:	**100+** years to EU
Institutional reforms:	**Divergence**

Under the **status quo**, road density is diverging from the EU average. It stands at 7.9% of the EU level, above the prior-year level but still below the levels recorded in 2019 and 2020, and the average change across the past 5 years is negative. Road quality has improved, and motorways recorded their largest gain in the series, but road density itself does not show any meaningful improvement.

- **Full EU accession** turns the annual change positive and still leaves the indicator beyond 100 years. Road density responds to exports to the EU and to net migration, and a remaining gap of more than 90 pp cannot close at that pace.
- **Access to the EU budget** returns divergence, as in the baseline. This is the least intuitive result in the report, and it follows from how the model is built: budget transfers are not part of the calculation for road density, so European money on its own does not build any roads here.
- **Access to the EU single market** delivers the same result as full accession (i.e. a horizon of more than 100 years) because it activates precisely the two channels that this indicator responds to (i.e. exports to the EU and net migration), and those two carry the whole of the accession effect.
- **Institutional reforms** alone leave the indicator diverging, as in the baseline. In the model, control of corruption does not affect road density, although in practice governance is what determines whether roads are prepared, financed and built.

Policy discussion & key recommendations

Albania's infrastructure deficit is concentrated in transport and, to a lesser extent, electricity generation. Water and sanitation reach roughly three quarters of EU levels, with sanitation having the shortest convergence horizon in the pillar, at 8 years, while motorways stand at 7.6% of the EU level and roads at 7.9%. Electricity capacity sits at 29.9% of the EU level and, despite a renewable share inherited from an earlier period of hydropower building, it has not seen any new investment. Projects are advancing: the Tirana-Durrës railway and its airport connection are around 80% complete. Delivery rather than financing is the constraint, and it operates through capital budget execution, the timing and cost of external financing agreements, and the use of the road asset management system. The government's own framework commits public investment above 5% of GDP through 2029, which confirms that the envelope is available. The following recommendations concern the capacity to spend it.

- ★ **Strengthen project preparation and execution capacity:** Albania signs international financing agreements later than planned and at costs above original estimates. Both delays and cost overruns stem from shortcomings in the earlier feasibility and costing work. Dedicated preparation capacity applying standardised appraisal would raise delivery from the financing already committed. Alignment on road charging and tolling and on intelligent transport systems, together with an operational independent rail regulator, safety authority and investigating body, form part of the same institutional build and is aligned with accession requirements.
- ★ **Protect capital budgets across years:** Annual reallocation disrupts multi-year projects and is a principal cause of under-execution. Ring-fenced multi-year capital allocations, with a published pipeline against which progress can be tracked, would convert commitments into completed assets and make the government's own 5%-of-GDP investment commitment meaningful in practice.
- ★ **Fund maintenance and use the systems already in place:** The road asset management system exists but is under-used. Maintenance neglect degrades assets faster than new construction adds them, which helps explain why road density remains below its 2019 and 2020 levels despite continued investment. Funding maintenance from a protected line as well as allocating it on the basis of the system's own data would preserve investment that has already been paid for.
- ★ **Complete the regional corridor connections:** Corridor VIII towards North Macedonia did not record any significant progress in the reporting period, while the Tirana-Durrës rail link is approaching completion. Corridor connections determine whether Albanian ports serve a regional hinterland or a national one, and they carry returns in trade and tourism that domestic road density alone does not.
- ★ **Invest in generation and grid together:** Electricity capacity stands at 29.9% of the EU level and is the constraint on exploiting the renewable position recorded in the environment pillar. Transmission and interconnection investment would allow Albania to export surplus generation and to absorb the solar and wind capacity that diversification requires, and one investment addresses weaknesses in two pillars. Grid capacity is necessary but not sufficient. Generation itself has not seen any new investment of consequence, so public investment in energy – alongside the private capacity that diversification requires – is what turns transmission into exportable power.

Conclusions

Albania stands at 60.8% of the EU level of well-being, unchanged over the past year. The 5-year record is better, with an average gain of 1.1 pp a year, which places the country **35 years away from the EU level** on present trends. Behind that single figure, the eight areas examined in this report are not moving together, and the distance between them is the first thing to understand about Albanian convergence. Digitalisation is 9 years from the EU average and health 15 years. The economic and governance areas sit at around 4 decades, education at around 80 years, infrastructure at around 95 years, and the environment at more than a century. The social pillar is not converging at all. In short, Albania is close to European standards in several parts of daily life and a lifetime away in others.

The split runs along a single line. **Where convergence depends on households, connectivity and services that spread cheaply, Albania is close to European levels. Where it depends on investment that has to be budgeted, tendered, built and then maintained, it is furthest behind. That dividing line is largely one of cost.** Public investment is committed above 5% of GDP through 2029 – but, year after year, the capital budget is not fully spent. The scenarios sharpen this reading rather than soften it: European resources and domestic reform act on different indicators, and neither substitutes for the other. What follows sets out the trends area by area, what explains them and what has to be done about them. What the report finds, across all eight, is a state that adopts faster than it delivers.

Main trends

- Overall well-being in Albania reached 60.8% of the EU level in 2025, unchanged over the year and improving by 1.1 pp a year over the past 5. On that pace, the EU average is 35 years away.
- The spread across areas is wide, from digitalisation at 73% of the EU level to infrastructure at 34%. Albania is not uniformly behind; it is close to EU standards in several areas of daily life and far behind in the physical and productive base. The difference comes largely from cost. Internet connectivity and online services can be extended quickly and cheaply, while roads, railways, energy and industry need large investments sustained over many years. But in Albania, capital budgets have repeatedly been approved but not fully executed.
- Digitalisation and health are the fastest-converging areas, at 9 and 15 years away from the EU benchmark, respectively. Environment is the slowest of the converging areas, at more than a century, and the social pillar is not converging at all. The reasons differ by area. Digitalisation has been converging because household connectivity and business adoption needed little public capital. Health has also been catching up because Albania delivers near-EU longevity on 3.5% of GDP, with households meeting 48.3% of the cost. Environment is held back by air quality and waste recovery, both at around 30% of the EU level. In both areas, the necessary rules are either still being prepared or are not properly enforced, and the capacity to inspect and sanction has weakened. Social convergence is stalling because employment growth has not reached the bottom of the distribution, and social protection spending, at 3.9% of GDP, is itself diverging.

- The strongest annual gains were in health and governance, at 3.6 and 1.6 pp, respectively. The largest slide was in the social pillar.
- The economic pillar, at 38.8% of the EU average, gained 0.6 pp and reached its highest recorded level, while convergence slowed after an unusually strong 2024, growth eased to 3.7%, and both industry and agriculture contracted. Investment per capita, at 48.6% of the EU average, carries the pillar, and wages converged fastest of all its indicators, from the lowest base. Pensions, at 18.9%, remain the structural gap, and what determines them is the contributor base rather than the pension rules.
- Infrastructure is the weakest area, at 34% of the EU average, and the gap there is not a financing one. Road density is diverging, motorways stand at 7.6% of the EU level, and electricity capacity at 29.9%, with no new generation investment behind it. The capital budget that would move all three is committed at above 5% of GDP through 2029, but it is not being fully spent.
- Three areas show the same pattern: outcomes close to EU levels alongside inputs that are not. Health achieves near-EU longevity on half the EU's relative spending. Education has reached the EU level for tertiary enrolment, but largely because the 2023 census reduced the population against which the rate is measured, while learning outcomes, attainment and the school-to-work transition all diverge. Employment approaches EU levels, while the income share of the poorest fifth diverges. In each case, the outcome is being carried by households, emigration or shrinking cohorts rather than by the system meant to produce it, which is why none of the three is secure.
- Delivery against the Reform Agenda shows the same pattern as the rest of the report. Albania leads the Western Balkans in terms of step fulfilment and fund absorption, and around two thirds of the Agenda's steps are defined by outputs (e.g. the adoption of a law, strategy or plan) rather than by measurable results. The European Commission's 2025 report finds implementation still trailing adoption in the areas that carry the most weight, from the justice strategy to the follow-up of audit recommendations. Adoption runs ahead of demonstrable implementation, and the indicators in this report show where the gap falls.

Policy and the European Union

- Delivery, rather than financing, is the binding constraint, as the infrastructure pillar sets out. The government's own framework commits public investment above 5% of GDP through 2029, but the capital budget is not fully spent. Capital budget execution is therefore the single measure that would move the most indicators at once, and this one institutional weakness explains the infrastructure result as well as much of the economic one.
- The scenarios show that resources and reform are complements rather than alternatives. Full EU accession consistently outperforms access to the EU budget or single market access alone, and institutional reform without resources rarely changes the time needed to reach the EU level. For example, EU funds alone or access to the single market alone would each bring Albania's economy to the EU average about 6 years sooner. In health, neither of them on its own would bring Albania any closer to the EU level.
- Governance is the exception – and the precondition. It is the only area where institutional reforms perform as well as full EU accession, and it also determines whether resources in every other area can be absorbed. The completed vetting of judges and prosecutors, followed by integrity checks that can be verified, is what carries it, and it should be sequenced first for that reason rather than because accession requires it.
- Energy efficiency and exports of digital services are the two areas that gain most from closer ties with the EU: under full membership, the time needed to reach the EU level falls by more than half. They are also where gradual access to the single market would show results first. For this to happen, Albania needs to adopt the updated National Energy and Climate Plan and the draft laws on energy efficiency and eco-design; the law on the energy performance of buildings was adopted in June 2025. In the digital area, it needs more people with advanced digital skills and closer alignment of its rules with those of the EU.
- Social convergence responds least. Only the scenarios carrying EU budget resources move it, and the horizon stays long even then. The instruments that close this gap are domestic and fiscal, and they run through the adequacy of transfers and the width of the contributor base. EU resources make them affordable rather than unnecessary.
- In health and education, results are being carried by households and shrinking cohorts rather than by the systems meant to produce them. Household exposure to out-of-pocket health costs and the distance between entering university and leaving it with a degree are the weak points in each.
- Closing benchmarks are now defined across all six negotiating clusters. They convert convergence from an aspiration into a specified list of conditions with a timetable, and they align closely with the weakest indicators in this report.
- Albania's digital transformation shows that rapid convergence is achievable when policy, financing and institutional ownership align, and the health system shows the same in terms of outcomes, delivering near-EU longevity on half the EU's relative spending. Both were built domestically. The task of the next 5 years is to reproduce that alignment in transport, social protection and the rule of law. The recommendations that follow set out how, grouped by the actor able to act on them.

Recommendations by policy actor

The findings above translate into a defined set of asks. They are grouped by the actor able to act on them, and each is drawn from the pillar discussions earlier in this report.

a) National policymakers and government institutions

- **Execute the investment already budgeted:** Public investment is committed above 5% of GDP through 2029, and across the economic and infrastructure pillars, the problem is not the size of the budget but how much of it is actually spent. Operationalising the public investment management framework and the National Single Project Pipeline, ring-fencing multi-year capital allocations and funding maintenance through the road asset management system would convert commitments into completed assets.
- **Widen the contributor and revenue base:** Tax expenditures estimated at 4-5% of GDP and widespread under-declaration of wages hold revenue near 28.6% of GDP. Publishing the completed review of exemptions, withdrawing those that cannot be justified, and giving labour inspection the staffing and sanctioning powers to change employer behaviour would help raise pensions from 18.9% of the EU average and public health spending from 3.5% of GDP.
- **Make transfers reach the bottom of the distribution:** Employment stands at 97.6% of the EU level, while the income share of the poorest fifth is not converging. Indexing the economic assistance benefit, extending coverage in rural areas and expanding childcare places for children under 3 years old would address both the transfer gap and the gender employment gap, which has lost ground in 2 successive years.
- **Reduce household exposure to health costs:** Out-of-pocket payments, at 48.3% of total health spending, are the weakest indicator in the health pillar. Broadening insurance coverage, defining a benefits package, regulating pharmaceutical pricing and retaining medical staff through pay and career structures would protect and potentially improve outcomes Albania currently achieves on roughly half the EU's relative spending.
- **Direct the demographic dividend to education quality:** Pre-university enrolment is falling by around 1% a year. Holding the education budget constant as cohorts shrink would fund teacher training, standardised assessment and expanded dual vocational places without a new fiscal claim. This is also the route to closing the gap between enrolment, which now matches the EU level largely because of the census revision, and attainment and learning outcomes, which are diverging.
- **Complete the integrity architecture and protect administrative gains:** With judicial vetting completed, the next steps are to extend integrity checks to senior public officials, move asset declarations onto automated verification and insulate civil service recruitment from political cycles; these are among the conditions set for closing the negotiations. Governance also determines what every other pillar can absorb, which is why it should be sequenced first.
- **Adopt the three environment instruments that have completed public consultation:** The updated National Energy and Climate Plan and the draft laws on energy efficiency and eco-design have all completed public consultation, but none has been adopted. Adoption is a legislative decision rather than a financing one, and it is what makes efficiency and diversification investment bankable.

- **Convert digital capability into digital earnings:** Connectivity, at 99.3%, and e-government use above the EU average coexist with ICT services exports at 1.0% of GDP and value added in ICT diverging. Advanced digital skills, firm-level support for companies selling abroad, and a start-up framework directed at products rather than services would move the pillar from consumption to production.

b) European Union institutions and member states

- **Tie disbursement to verified outcomes rather than adopted legislation:** Around two thirds of Reform Agenda steps are defined by outputs (e.g. the adoption of a law, strategy or plan) rather than by measurable results. Requiring implementation evidence alongside adoption would show Albania's genuine lead on step fulfilment and absorption in full and would make the same standard meaningful across the region.
- **Front-load absorption-capacity reforms:** Procurement, managing authorities, audit arrangements and statistical capacity decide whether Growth Plan and then cohesion funding are turned into finished projects or partly lost. Financing these first carries an immediate fiscal return and conditions everything that follows.
- **Phase single market access where the return is earliest:** Digital services and energy efficiency are the two areas in this report most responsive to integration, with single market access cutting the time needed to reach the EU level from 77 to 35 years and from 61 to 36 years, respectively. Selective early access in these sectors would produce measurable convergence well before accession concludes.
- **Treat health as the exception requiring its own instruments:** Health is the one pillar where money alone changes nothing: access to the EU budget and single market access each leave life expectancy more than 100 years from the EU level, while full membership delivers 26 years. What membership adds is health-financing standards and workforce mobility, so support should be channelled through health-specific instruments rather than general transfers.
- **Include the Western Balkans in the next EU budget as pre-members:** Social convergence only responds to scenarios carrying EU budget resources, and the horizon remains long even then. Cohesion-style access ahead of membership is the instrument that makes domestic redistribution affordable rather than unnecessary.
- **Judge progress on comparable convergence indicators:** converge2eu tracks the same indicators across all six Western Balkan economies on a consistent annual basis, and it can be used to test whether EU engagement is producing socioeconomic catch-up or only formal alignment.

c) Regional and international organisations

- **Monitor convergence outcomes, not only legal alignment:** The Regional Cooperation Council, CEFTA and the Energy and Transport Communities should organise peer review around measurable convergence indicators, working with converge2eu and comparable initiatives, so that governments are compared based on results rather than on reform announcements.
- **Coordinate infrastructure financing under a single framework:** The EBRD, EIB, World Bank and IMF should align lending with the Growth Plan and the Connectivity Agenda, prioritising Corridor VIII towards North Macedonia, which recorded no significant progress in the reporting period, and the transmission and interconnection capacity that Albania's renewable position requires.
- **Support the institutional build behind absorption:** Technical assistance on project preparation and execution, merit-based recruitment and statistical capacity is what converts Albania's Reform and Growth Facility allocation and future cohesion funding into delivered projects rather than committed sums.

d) Civil society, academia and think tanks

- **Monitor implementation rather than adoption:** This report's own finding that adoption runs ahead of demonstrable implementation defines the highest-value role for independent monitoring: tracking whether adopted measures change outcomes, and publishing the evidence where they do not.
- **Make convergence legible to the public:** Research institutes and universities can connect indicator movements to what citizens actually experience, from waiting times and school results to transport and energy bills, so that convergence is understood as a measure of daily life rather than a technical benchmark.
- **Build regional analytical networks:** Joint work across the WB6 on shared constraints, particularly absorption capacity and school-to-work transitions, produces comparable evidence and strengthens the case for regional instruments that no single country can secure alone.

Methodological note

What do the different numbers mean?

- **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points (pp).
- **Rate of change over the past 5 years:** shows the average annual pace of change over the last 5 years, capturing whether the indicator has been improving or worsening recently.
- **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator, assuming the recent pace of change continues.

How do we calculate the numbers for individual indicators?

% of EU Average: calculated as the native value of a certain indicator in a certain country, compared with the corresponding EU average.

Example: If the average wage in Serbia is EUR 1,150 and the average wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average (1,150/3,000).

For indicators where lower values mean better outcomes (e.g. unemployment, child mortality, etc.), the calculation is reversed so that a higher percentage always indicates better performance.

Example: If the unemployment rate is 11% in Albania and 6% in the EU, Albania's relative level is 55% of the EU average (6/11).

Rate of change over the past 5 years: calculated as the simple average of the year-on-year changes in the indicator measured as a percentage of the EU average over the last 5 years.

Example: If public health spending in North Macedonia, measured as a share of the EU average, changed by –0.4, +7.2, –2.7, –2.1 and +0.2 pp, the 5-year rate of change is +0.4 pp.

Years to EU: calculated by comparing the remaining gap to the EU average with the speed of progress over the last 5 years. It shows how many years it would take to close the gap if recent trends continue.

Example: If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

How do we calculate the numbers for the pillar and overall averages?

% of EU Average: calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.

Example: If Albania's six environment indicators are 50%, 55%, 60%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

Rate of change over the past 5 years: calculated as the average of the year-on-year changes in the overall pillar's value measured as a percentage of the EU average, over the last 5 years.

Example: If Bosnia and Herzegovina's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the 5-year rate of change is +1.6 pp.

Years to EU: calculated by comparing the remaining gap to the EU average for the overall pillar with the pace of progress over the last 5 years.

Example: If Serbia's Digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take 2 years to reach the EU level.

What does it mean when an indicator is 'converged' or 'diverging'?

Converged: An indicator is considered converged if its value as a percentage of the EU average is above 100%. This means the country has reached or exceeded the EU average in that area.

Example: If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.

Diverging: An indicator is considered diverging if its average change over the past 5 years (measured as a percentage of the EU average) is negative. This means the country has been moving further away from the EU average.

Example: If road density in North Macedonia, expressed as a percentage of the EU average, has been declining by 0.4 pp per year, North Macedonia is diverging.

How do we treat missing values?

Missing values between years: When data for an indicator is missing for one or more intermediate years, we substitute the missing value with the last available one for that country (in native units).

Example: If North Macedonia is missing values for Internet access in 2022 and 2023, we use the 2021 value (83.7%) for our calculations.

Missing values for the last year: If at least four of the six Western Balkan countries have data for the most recent year, we include that year and use previous values for the others. If fewer than four countries have data, we exclude that year from EU comparisons.

Example: For tertiary education in 2023, Albania and Montenegro were missing data, but since four others had it, we included 2023 and used 2022 values for the missing countries. By contrast, if only one country had data (e.g. 2024 for enterprises with websites), 2024 is excluded.

Missing values at the beginning: If data start late, no EU-relative or pillar calculations are done for earlier missing years.

Example: For average pensions, Kosovo data start from 2015. So calculations begin from 2015 onward.

How we calculate pillar/area values for 2025 when some indicators are missing: We use the last available year's value for any missing indicators.

Example: To calculate the percentage of the EU average for Education in 2025, we take:

- 2023 values for Public spending on education
- 2024 values for Tertiary enrolment, Tertiary attainment, Pre-primary education, and NEET
- 2025 value for the Harmonised test scores

Which EU accession scenarios do we simulate?

To assess how different EU integration options may influence the pace of convergence across the eight pillars, we simulate projections under four alternative scenarios:

- **Full EU membership:** Western Balkan economies join the EU immediately, with full rights and obligations, including access to the EU budget.
- **EU budget transfers:** Western Balkan economies obtain full access to the EU budget and receive transfers as if they were member states, but without formal membership.
- **EU single market access:** Western Balkan economies gain full access to the EU single market, without other elements of membership (e.g. institutional alignment or budget transfers).
- **Institutional reforms:** Western Balkan economies undertake reforms equivalent to those required of EU member states, without membership or transfers.

Which indicators do we simulate?

We simulate **one indicator** from each of the **eight pillars**:

- **Economy:** GDP per capita at PPS
- **Social:** income share of the bottom 20%
- **Health:** life expectancy
- **Education:** tertiary enrolment
- **Institutions:** control of corruption
- **Environment:** energy intensity of the economy
- **Digitalisation:** ICT exports
- **Infrastructure:** road density

How do we simulate the scenarios?

We employ a **Structural Equation Modelling (SEM) approach** to estimate how EU accession affects GDP growth and other development outcomes through various transmission channels. SEM is particularly well suited for this analysis, as it allows us to disentangle the pathways through which EU integration exerts its effects.

Concretely, we focus on four main channels:

- higher EU budget transfers,
- increased exports to the EU,
- net migration, and
- institutional improvements.

FDI net inflows are also estimated as a potential channel, but since their effect on growth is small and imprecisely estimated, we do not vary FDI across scenarios.

The analysis is conducted in a **panel setting** covering the period **from 1996 to 2024**. It includes **Bulgaria, Romania and Croatia as benchmarks, alongside the six Western Balkan economies**.

The concrete specifications for each of the eight simulated indicators are as follows:

- **GDP per capita growth** depends on initial GDP (as in standard convergence models), previous year's GDP growth, EU budget transfers, exports to the EU, net migration, control of corruption, FDI inflows and country fixed effects. These variables, in turn, are affected by EU accession.
- The change in **income share of the bottom 20%** is linked to EU budget transfers and control of corruption, both of which are linked to EU accession.
- The change in **life expectancy** is modelled as a function of GDP growth and net migration, both of which are influenced by EU accession.
- The change in **tertiary enrolment** also depends on GDP growth, which itself depends on EU accession, as explained above.
- The change in **energy intensity** is modelled as a function of GDP growth and control of corruption, both of which are tied to EU accession.
- The level of **control of corruption** is modelled to be affected directly by EU accession, as it is one of the channels through which EU accession affects GDP growth.
- **ICT exports** are linked to GDP growth, EU budget transfers and exports to the EU, all of which are influenced by EU accession.
- **Road density** depends on FDI, exports to the EU and net migration. Since FDI is held fixed across scenarios, road density outcomes are in practice driven by exports and net migration.

These specifications were determined empirically, by running different regressions with different combinations of variables and checking the significance of the coefficients.

The regression estimates were then used to generate simulations of the four scenarios. This was done by augmenting the rate of change from the baseline (status quo) scenario – which is the average over the last 5 years – with the estimated effect of the EU accession scenario.

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