converge2eu

Annual Convergence Report 2025 – Albania –

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IMPRESSUM

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ALL AREAS OVERALL

Economic

30.2% of EU average

+2.1 pp last year

53 years to EU

Social

73.8% of EU average

-3.1 pp last year

71 years to EU

Health

64.2% of EU average

+1.5 pp last year

39 years to EU

Education

69.8% of EU average

-0.1 pp last year

Diverging from EU

Governance

73.8% of EU average

+1.8 pp last year

64 years to EU

Environment

54.4% of EU average

+0.0 pp last year

100+ years to EU

Digitalisation

63.9% of EU average

+3.3 pp last year

11 years to EU

Infrastructure

14% of EU average

-0.1 pp last year

100+ years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- In 2024, well-being in Albania relative to the EU average ranged **from 14% to 74%,** depending on the area.

- **Four of the eight areas improved** in 2024 compared with the previous year, one remained unchanged, and **three deteriorated**.

- The **social** and **governance** pillars are **closest to EU levels (around 74%),** reflecting strong labour market outcomes and political stability.

- **Infrastructure** is **furthest** from EU standards **(14%)**, with transport networks lagging the most.

- **Digitalisation** recorded the **strongest annual improvement** in 2024 **(+3.3 pp)**, driven mainly by rapid gains in e-government and business digital presence.

- The **social** pillar showed the **weakest dynamics** in 2024 **(-3.1 pp)**, reflecting a widening gender employment gap.

- **Digitalisation** is within roughly a decade of reaching the EU average, while **education** is diverging, based on trends over the past five years.

ECONOMIC

GDP per capita

43.1% of EU average

+2.2 pp last year

30 years to EU

Average wage

25.3% of EU average

+2.8 pp last year

46 years to EU

Minimum wage

31.9% of EU average

+5.0 pp last year

40 years to EU

Average pension

8.3% of EU average

+0.1 pp last year

Diverging from EU

Productivity

42.2% of EU average

+0.8 pp last year

43 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- The **Economic pillar** in Albania overall stood at **30.2% of EU average** in 2024, with a strong improvement of **2.2 pp** during the previous year. With the pace of growth from the previous five years, it will reach the EU average in some **53 years.**

- **GDP per capita** in Albania reached 43.1% of EU average in 2024, improving by 2.2 pp year-on-year and 9.6 pp over five years (1.9 pp annually).

- **Wage levels:** Average wage at 25.3% of EU average, minimum wage at 31.9%; projected convergence in 46 and 40 years, respectively – though acceleration possible via market integration and productivity gains.

- **Productivity:** Standing at 42.2% of EU average with 43-year convergence timeline; enterprise innovation and value-added exports represent key acceleration opportunities.

- **Pension transformation opportunity:** At 8.3% of EU average, pensions require comprehensive reform. Bulgaria and Romania successfully addressed similar challenges during pre-accession through EU-supported structural reforms – and Albania can follow this proven pathway.

- **Convergence timeline:** 30-40 years to reach EU average given the trends of the past five years.

SOCIAL

Unemployment

63.8% of EU average

+3.4 pp last year

25 years to EU

Employment

97% of EU average

+0.6 pp last year

2 years to EU

Poverty

50% of EU average

+0.0 pp last year

100+ years to EU

Inequality

86% of EU average

+0.3 pp last year

71 years to EU

Gender gap

73% of EU average

-19.5 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Social indicators reached 73.8% of EU average**, declining 3.1 pp last year but with strong employment providing a foundation for recovery.

- **Employment excellence:** 97% of EU average (+0.6 pp), convergence in just 2 years – Albania's strongest performing indicator, demonstrating its robust labour market.

- **Unemployment:** 63.8% of EU average (+3.4 pp), projected 25-year convergence with continued labour market reforms.

- **Poverty reduction opportunity:** At 50% of EU standard, represents Albania's first area to focus on under this pillar. Targeted social protection reforms – core component of the EU Social Pillar – can accelerate progress; strong employment base provides a foundation.

- **Income equality:** 86% of EU average with stable trends. More progressive taxation and enhanced social transfers can accelerate 71-year baseline timeline.

- **Gender employment gap:** Widened by 19.5 pp, to 73% of EU average. New labour market initiatives aligned with EU gender equality frameworks are being implemented. EU experience shows that, with determined policy action, a significant narrowing can be achieved in 5-10 years.

HEALTH

Health spending

42.9% of EU average

+1.0 pp last year

Diverging from EU

Life expectancy

98% of EU average

+0.1 pp last year

Diverging from EU

Infant mortality

54% of EU average

+3.3 pp last year

14 years to EU

Hospital beds

71% of EU average

+3.3 pp last year

11 years to EU

Physicians

55% of EU average

+0.9 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Health system performance reached 64.2% of EU average (+1.5 pp)**, with remarkable achievement of near-EU life expectancy despite lower spending.

- **Life expectancy excellence:** 98% of EU average – near-parity achieved, demonstrating effective public health measures and healthcare system efficiency.

- **Hospital beds:** 71% of the EU average (+3.3 pp); 11-year convergence, showing strong infrastructure momentum.

- **Infant mortality:** 54% of EU standard (+3.33 pp); 14-year convergence, reflecting effective maternal/child health programmes.

- **Physicians:** 55% of EU average (+0.9 pp); steady medical workforce development.

- **Health investment opportunity:** Spending at 42.9% of EU average; represents the main area to focus on under this pillar. Solid outcomes despite lower spending prove system efficiency. Strategic investment increases through EU health programmes can dramatically accelerate convergence.

EDUCATION

Education spending	**PISA scores**	**Tertiary enrolment**
56.5% of EU average	78% of EU average	81% of EU average
-3.8 pp last year	-8.0 vs. 2018	+3.4 pp last year
Diverging from EU	**Diverging from EU**	19 years to EU

Tertiary attainment	**Tertiary activity**	**NEET rate**
63% of EU average	104% of EU average	40% of EU average
-1.6 pp last year	+5.8 pp last year	-0.4 pp last year
47 years to EU	**Converged**	100+ years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Education outcomes reached 69.8% of EU average** with mixed trends.

- **Tertiary activity:** 104% of EU average (+5.8 pp) – convergence achieved, proving Albania's capacity for educational excellence.

- **Tertiary enrollment:** 81% of EU average (+3.4 pp), 19-year convergence with strong momentum.

- **PISA scores:** 78% of EU average; the gap between enrolment and achievement presents clear scope for quality improvements through teacher training and curriculum modernisation.

- **Tertiary attainment:** 63% of EU average; 47-year baseline convergence accelerable through improved secondary-to-tertiary transition.

- **NEET rate:** 40% of EU average – highlighting a need to connect youth with education/employment through EU Youth Guarantee schemes. Strong overall employment (97%) shows that opportunities exist.

- **Education investment priority:** Spending at 56.5% of EU average (-3.8 pp); represents main area to focus on under this pillar. EU pre-accession funds prioritise human capital development, as increased investment can extend tertiary-level excellence across all educational levels.

GOVERNANCE

Voice & Accountability

73.8% of EU average

+0.2 pp last year

Diverging from EU

Political stability

86% of EU average

+2.5 pp last year

Diverging from EU

Govt. effectiveness

80% of EU average

+6.0 pp last year

15 years to EU

Regulatory quality

75% of EU average

+0.3 pp last year

Diverging from EU

Rule of law

65.8% of EU average

-0.3 pp last year

25 years to EU

Corruption control

63% of EU average

+2.5 pp last year

31 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Governance quality reached 73.8% of the EU average (+1.8 pp)**, with government effectiveness leading progress and demonstrating that rapid institutional improvements are achievable.

- **Government effectiveness:** 80% of EU average (+6.0 pp), 15-year convergence – strongest governance indicator, showing that administrative capacity-building is faster than other dimensions.

- **Political stability:** 86% of EU average (+2.5 pp) – highest governance level, providing strong foundation for reform implementation.

- **Voice and accountability:** 73.8% of EU average (+0.2 pp); steady progress in democratic institutions.

- **Regulatory quality:** 75% of EU average (+0.3 pp); EU acquis alignment provides clear modernisation pathway.

- **Corruption control:** 63% of EU average (+2.5 pp); 31-year convergence. Positive momentum with EU conditionality and technical assistance supporting acceleration.

- **Rule of law:** 65.8% of EU average, 25-year convergence – key EU priority; where conditionality, peer learning (Bulgaria/Romania experiences), and technical assistance provide proven improvement pathways.

ENVIRONMENT

Pollution deaths

36.6% of EU average

+4.0 pp last year

60 years to EU

Renewable energy

167% of EU average

-10.8 pp last year

Converged

Energy intensity

58% of EU average

-0.2 pp last year

84 years to EU

Carbon intensity

47% of EU average

-2.3 pp last year

Diverging from EU

Waste recovery

30% of EU average

+0.1 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Environmental performance at 54.4% of EU average** (stable) shows mixed patterns.

- **Renewable energy leadership:** 167% of EU average – exceptional achievement positioning Albania as regional environmental leader; hydropower excellence provides proven transformation model.

- **Pollution reduction:** Deaths attributable to pollution still far above the EU average, but there has been some improvement in 2024, with roughly 60 years remaining to reach the EU average.

- **Energy intensity:** Energy efficiency standing at 58% of EU average, indicating significant scope for improvement through EU energy efficiency programmes and building renovations.

- **Carbon intensity:** Far higher than the EU average, but the high renewable energy share and sizeable hydropower provide strong foundation for low-carbon development.

- **Waste management transformation opportunity:** At 30% of EU average, waste presents the greatest scope for improvement in the environmental pillar. The Green Agenda for the Western Balkans prioritises waste with dedicated funding/technical assistance. Bulgaria and Romania achieved rapid improvements during pre-accession period through EU-supported infrastructure – Albania can follow this pathway.

DIGITALISATION

HH with internet

104.2% of EU average

+6.0 pp last year

Converged

e-government

121% of EU average

+30.6 pp last year

Converged

Firms with websites

72% of EU average

+12.7 pp last year

14 years to EU

ICT exports

18% of EU average

-0.8 pp last year

Diverging from EU

ICT value added

53% of EU average

-0.8 pp last year

56 years to EU

ICT employment

41% of EU average

-0.8 pp last year

44 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Digital development** reached **63.9% of EU average (+3.3 pp),** with **11-year** convergence – fastest among all development areas, demonstrating Albania's leapfrogging capacity.

- **E-government leadership:** 121% of EU average (+30.6 pp) – extraordinary achievement placing Albania ahead of many member states, showcasing digital public service excellence.

- **Internet access:** 104.2% of EU average – full convergence achieved in digital connectivity.

- **Business websites:** 72% of EU average (+12.7 pp), 14-year convergence showing strong private-sector digital adoption.

- **ICT exports:** 18% of EU average – significant untapped potential. Albania's proven digital infrastructure provides foundation for ICT sector expansion through EU Digital Agenda support.

- **ICT employment:** 41% of EU average; **ICT value added** at 53% – gaps reveal opportunity to translate digital excellence into economic growth through tech incentives and startup ecosystem support.

INFRASTRUCTURE

Motorways

4.1% of EU average

+0.4 pp last year

100+ years to EU

Roads

8% of EU average

-0.2 pp last year

100+ years to EU

Railway tracks

10% of EU average

+2.1 pp last year

Diverging from EU

Airports

24% of EU average

-0.1 pp last year

33 years to EU

Electricity

25% of EU average

-0.4 pp last year

100+ years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Infrastructure at 14% of EU average**, representing Albania's greatest convergence opportunity and primary target for the Growth Plan for the Western Balkans – where EU partnership can have the most transformative impact.

- **Current state: Motorways** at 4.1% of EU density (+0.4 pp), **roads** at 8%, **railways** at 10% (+2.1 pp) – baseline convergence: 100+ years.

- **Airport infrastructure:** 24% of EU average, 33-year convergence – most achievable transport timeline, enhancing tourism/business connectivity.

- **Electricity grid:** 25% of EU average – modernisation essential to leverage renewable energy advantage (167%); Energy Community frameworks provide technical/funding pathways.

- **Proven transformation pathway:** Bulgaria increased motorway length 400%+ (2005-2015); Romania tripled highway kilometers – achieved through EU Cohesion Funds and pre-accession instruments. Albania can follow this proven model with Growth Plan prioritising connectivity investments.

WHAT EXPLAINS THESE TRENDS?

Economic

Albania's relatively strong economic performance in 2024 was primarily driven by robust tourism revenues, solid inflows of foreign direct investment (FDI) – especially in energy and real estate – and steady remittances, which supported domestic consumption. The rise in the minimum wage and the tight labour market contributed to wage growth, but they also added pressure on business competitiveness, particularly in manufacturing. Productivity gains remained limited due to the small size of the industrial base and slow technological upgrading. The pension system continues to underperform, largely because of low contribution coverage and demographic pressures from emigration and population ageing. Fiscal policy remained conservative, ensuring macroeconomic stability, though this came at the cost of underinvestment in infrastructure and innovation.

- **Growth Drivers:** Continued strong GDP growth in 2024 was driven by a record tourism season, robust remittance inflows, and steady FDI in energy and real estate.
- **Wage Dynamics:** Minimum wage hikes (+17%) and tight labour markets – particularly in services – boosted nominal wages but put pressure on competitiveness.
- **Structural Constraints:** Low productivity growth reflects limited industrial diversification and weak technological upgrading. Pension stagnation stems from demographic ageing and a pay-as-you-go (PAYG) system with low contribution density.
- **Policy Context:** Fiscal discipline and International Monetary Fund (IMF) engagement – had regular Article 4 consultations and maintained macrostability, while public investment remained below potential.

Social

Employment outcomes remain among Albania's strongest, reflecting robust labour demand in tourism, construction and emerging digital services. However, the benefits of growth are unevenly distributed. Poverty levels remain high compared to EU standards, highlighting the limited impact of social transfers and regional disparities between urban and rural areas. The gender employment gap widened sharply, as women continue to face structural barriers related to childcare, informality and care responsibilities. Social protection programmes have become more digitally managed and better targeted, yet their adequacy remains modest. Continued implementation of the Youth Guarantee and new active labour market measures are providing a foundation for more inclusive social progress.

- **Employment Gains:** Labour demand in tourism, construction and ICT sustained near-EU employment levels. Active labour market measures expanded through the Youth Guarantee pilot.
- **Persistent Poverty:** Social protection remains fragmented, with modest benefit adequacy and limited coverage in rural areas.
- **Gender Gap Expansion:** Women's participation fell due to care burdens and informality, underscoring gaps in childcare infrastructure and flexible work policies.
- **Policy Shifts:** Social welfare digitalisation advanced, but integration with activation policies remains weak.

Health

Health outcomes show a mixed picture: Albania has achieved near-parity with EU life expectancy despite much lower spending levels, reflecting the resilience of the system and relatively healthy lifestyles. Infant mortality rates improved further, while hospital infrastructure expanded through ongoing modernisation projects supported by funding from the EU and international financial institutions (IFIs). However, chronic underinvestment – public health spending remains below 3% of GDP – continues to limit access and quality. Out-of-pocket expenses are high, and shortages of medical professionals persist, as many doctors migrate abroad. The implementation of the Health Strategy 2021-2030 and the expansion of digital health records have improved system management but not yet reduced inequality in terms of access.

- **Improving Outcomes:** Life expectancy nearly matches the EU's due to reduced infant mortality and preventive care programmes.
- **Resource Constraints:** Public health expenditure (2.9% of GDP) limits quality and coverage, leading to out-of-pocket spending above 50%.
- **Infrastructure Renewal:** EU-funded hospital modernisation advanced, but shortages of medical staff persist, driven by emigration and low pay.
- **Policy Actions:** Implementation of the Health Strategy 2021-2030 and digital health records continued, improving efficiency but not access.

Education

Education is one of the few areas where Albania diverged from EU standards in 2024. Public spending declined, undermining quality improvements and teacher training. While tertiary enrolment increased and university activity levels even surpassed EU averages, learning outcomes remain weak, as reflected in consecutive PISA results. This suggests that higher participation has not translated into better skills. The system of vocational education and training (VET) has expanded with donor and EU support, but alignment with labour market needs remains incomplete. Programmes such as 'Skills for Jobs' and reforms under the National Employment and Skills Strategy provide direction, yet policy coordination across ministries and financing continuity remain key challenges for sustaining progress.

- **Divergent Trends:** Enrolment improved, yet declining public spending and weak PISA results point to systemic quality gaps.
- **Tertiary Expansion:** Private and vocational providers grew, though relevance to labour market demand remains limited.
- **Structural Issues:** Teacher training, school infrastructure and early childhood coverage remain underfunded.
- **Policy Context:** The Skills for Jobs programme and the EU Instrument for Pre-accession Assistance (IPA) support targeted VET reform, but coherence across ministries is limited.

Governance

Albania's progress in the area of governance reflects two contradictory trends. Administrative effectiveness and digital service delivery have improved, with digital governance reforms reducing bureaucracy and increasing transparency, helping Albania outperform some regional peers. However, rule of law and corruption control have stagnated, limiting citizens' trust in institutions. Judicial reform has advanced slowly, and regulatory quality remains uneven. Low digital literacy persists, and access to digital services remains limited for marginalised segments of society. EU accession screening and the Growth Plan conditionalities have become strong external anchors for institutional improvement, though domestic implementation capacity remains inconsistent. This gap between technical efficiency gains and deeper governance shortcomings defines Albania's mixed performance in this pillar.

- **Mixed Progress:** Administrative capacity and public service delivery improved, reflected in gains in government effectiveness.
- **Rule-of-Law Stagnation:** Slow judicial reform implementation and corruption perceptions undermine trust.
- **Policy Advances:** The Justice Reform and Digital Governance Agenda strengthened transparency, but enforcement remains selective.
- **External Drivers:** EU accession screening and the Growth Plan conditionalities pushed progress in anti-corruption and regulatory reforms.

Environment

Environmental trends reflect a deep imbalance between strengths and weaknesses. Albania remains a leader in renewable energy, producing over 160% of the EU average (mainly through hydropower). Yet this dominance masks serious deficiencies in waste management, energy efficiency and carbon reduction. Recycling rates are among the lowest in Europe, and energy intensity remains high. The decline in renewable energy's share in 2024 points to growing variability in hydropower output due to climate conditions. Recent adoption of the National Energy and Climate Plan (NECP) and alignment with the Green Agenda represent policy progress, but effective implementation will depend on stronger financing and regulatory enforcement.

- **Renewable Leadership:** Albania's hydropower dominance secures renewable energy at 167% of the EU average.
- **Lagging Waste Management:** Minimal recycling infrastructure and weak enforcement of environmental standards explain stagnation.
- **Policy Efforts:** Adoption of the NECP and Green Agenda alignment represent progress, but financing gaps persist.
- **External Factors:** Climate resilience investments rely heavily on IFI and IPA support; domestic capital spending remains low.

Digitalisation

Digitalisation remains Albania's standout success story. The expansion of e-government through the e-Albania platform has propelled the country ahead of many EU member states in public digital service delivery. Internet access is now universal, with households exceeding EU averages. However, the private digital economy lags behind: ICT exports, employment and value added remain modest, reflecting a skills gap and limited innovation ecosystems. The government's Digital Agenda 2022-2026, combined with regional cooperation under the Digital Western Balkans framework of the Regional Cooperation Council (RCC), has been instrumental in accelerating digital inclusion. The next challenge lies in converting this digital infrastructure advantage into sustained economic competitiveness.

- **Leapfrogging Success:** Massive expansion of e-Albania services drove a 30-point surge in e-government, now surpassing EU averages.
- **Private Sector Lags:** ICT exports and employment remain weak, reflecting a skills gap and limited innovation ecosystems.
- **Policy Context:** The Digital Agenda 2022–2026 and Business Digitalisation Programme spurred uptake among SMEs.
- **International Drivers:** Regional cooperation under the RCC's Digital Agenda for the Western Balkans and the EU's IPA (Instrument of Pre-Accession Assistance) III investments sustained momentum.

Infrastructure

Infrastructure remains Albania's most critical development bottleneck. Despite years of growth, transport and energy networks are still only a fraction of EU standards. Motorways, railways and road density remain extremely low, constraining both trade and regional connectivity. Electricity infrastructure, though improved, suffers from outdated grids and limited regional interconnection. Airport development and major railway rehabilitation projects (e.g. for the Tirana–Durrës line) signal renewed commitment, but the overall investment rate remains insufficient. The Connectivity Agenda and support from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank (WB) are helping to close the gap, yet domestic planning fragmentation, weak purchasing power parity (PPP) oversight and fiscal constraints continue to delay tangible progress.

- **Severe Deficit:** Decades of underinvestment have left transport (especially railway) and energy networks at 14% of EU average capacity.
- **Policy Gaps:** Fragmented planning, low public capital expenditure and weak PPP oversight limit progress.
- **Positive Signals:** Airport expansion and ongoing railway rehabilitation (Tirana-Durrës line) indicate renewed focus, but fiscal space is narrow.
- **External Context:** Connectivity Agenda and Transport Community alignment are key levers; financing from the EBRD, EIB and WB remains crucial.

SCENARIOS

To better understand how different EU integration pathways might influence Albania's convergence, we consider four scenarios as defined in the converge2eu model. These scenarios are **not predictions** – instead, they are **analytical tools** that seek to illuminate how policy choices and EU partnership accelerate or delay convergence across economic, social and institutional dimensions.

- **Full EU Membership** – immediate accession with all rights and obligations.
- **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership.
- **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers.
- **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

These scenarios are informed by the post-accession trajectories of **comparators (e.g. Bulgaria, Croatia and Romania)**, whose experiences provide empirical benchmarks. The modelling uses a structural equations model (SEM) approach, examining key transmission channels (e.g. EU budget inflows, increased EU exports and institutional improvements) as well as their effect on growth and other societal outcomes.

The analysis is conducted in a panel setting covering the period from the late 1990s to 2023. It includes the three newest EU member states as benchmarks, alongside the six Western Balkan (WB6) economies. One indicator from each of the **eight convergence pillars** is included:

- **Economy:** GDP per capita at purchasing power standard (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

GDP per capita

Status quo:	30 years to EU
Full EU accession:	20 years to EU
Access to EU budget:	23 years to EU
EU single market:	26 years to EU
Institutional reforms:	28 years to EU

Poverty

Status quo:	100+ years to EU
Full EU accession:	75 years to EU
Access to EU budget:	75 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

Life expectancy

Status quo:	Divergence
Full EU accession:	37 years to EU
Access to EU budget:	70 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

Tertiary enrolment

Status quo:	19 years to EU
Full EU accession:	17 years to EU
Access to EU budget:	18 years to EU
EU single market:	19 years to EU
Institutional reforms:	19 years to EU

Corruption control

Status quo:	31 years to EU
Full EU accession:	21 years to EU
Access to EU budget:	21 years to EU
EU single market:	31 years to EU
Institutional reforms:	21 years to EU

Energy intensity

Status quo:	84 years to EU
Full EU accession:	20 years to EU
Access to EU budget:	29 years to EU
EU single market:	43 years to EU
Institutional reforms:	57 years to EU

ICT exports

Status quo:	Divergence
Full EU accession:	49 years to EU
Access to EU budget:	56 years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

Roads

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

Economic (GDP per capita)

Economic convergence is sensitive to the integration path. Under the **status quo**, GDP per capita would converge to the EU average in around 30 years. **Full EU membership** is projected to shorten this to roughly 20 years, mainly through higher investment, better market access and faster productivity growth. **Access to the EU budget** alone would bring convergence in about 23 years, while **single market access** and **institutional reforms** yield slightly longer horizons of 26 and 28 years, respectively.

Social (poverty reduction)

Social convergence is far more challenging. Poverty would take more than 100 years to converge under the **status quo**, **single market access** or **institutional reform scenarios**, indicating that growth and governance improvements alone do little for the poorest. Only **full EU membership** or broad **EU budget access** materially change the picture, reducing convergence times to about 75 years. Even here, the horizon is long, underlining the need for much stronger domestic redistribution and social policy reforms alongside EU support.

Health (life expectancy)

No scenario delivers quick convergence in life expectancy. Under the **status quo**, Albania continues to diverge, despite being so close to the EU average. **Full EU membership** could eventually close the gap in roughly 37 years, while **EU budget access** would make this about 70 years. **Single market access** and **institutional reforms** alone perform worse, with projected convergence times of 100+ years. One must also bear in mind that life expectancy in Albania is almost at EU level (98%).

Education (tertiary enrolment)

Tertiary enrolment converges in about 19 years under the **status quo. Full EU membership** shortens this slightly, to 17 years, and **EU budget access** to 18 years, while **single market access** and institutional reforms alone leave the convergence horizon broadly unchanged. External scenarios therefore provide only a modest acceleration; domestic education policy, public spending and demographic dynamics remain the main drivers.

Governance (control of corruption)

Governance improves gradually across all integration paths. Under the **status quo**, convergence in control of corruption would take about 31 years. **Full EU membership, EU budget access** or **institutional reforms** all bring this down to around 21 years, reflecting the importance of both domestic reforms and EU conditionality. **Single market access** alone has no additional effect beyond the status quo, as trade and investment integration do not directly address corruption. The key message is that governance convergence is slow under all scenarios and requires sustained, internally driven reform.

Environment (energy intensity)

Green convergence responds strongly to deeper integration. Energy intensity would converge only very slowly under the **status quo** (about 84 years). **Full EU membership** cuts this to roughly 20 years, and **EU budget access** to 29 years, reflecting the impact of large-scale investment and stricter climate and energy rules. **Single market access** and **institutional reforms** improve matters more gradually, to 43 and 57 years, respectively. Without targeted green reforms and substantial investment, Albania risks remaining much more energy intensive than the EU even as its economy grows.

Digitalisation (ICT exports)

The digital sector is very sensitive to some forms of EU integration. In all scenarios, ICT exports either take decades to catch up or diverge. Under **full EU membership**, convergence is projected in about 49 years, while **EU budget access** makes this 56 years. Under the **status quo, single market access** or **institutional reforms** alone, ICT exports continue to diverge. This suggests that Albania's current digital strengths lie more in connectivity and e-government than in tradable ICT services, and that specific industrial and skills policies are needed to turn the digital base into export capacity.

Infrastructure (roads)

Infrastructure is the least sensitive area. Road density is so far below EU levels that convergence times are very long (100+ years) under all the scenarios. Rather than meaning that roads will not improve under different EU accession options, this reflects the scale of the gap and the slow nature of infrastructure accumulation. The implication is clear: EU funds can help, but Albania must radically improve project preparation, execution and maintenance if infrastructure is to stop being a structural drag on convergence.

POLICY DISCUSSION

1. General Policy Discussion

Albania's trajectory towards EU integration has reached an inflection point shaped by accelerating reforms, unprecedented alignment with the EU policy framework, and substantial public support. The country's ability to open all six negotiating clusters within just 13 months of beginning formal negotiations in November 2025 underscores strong political determination, administrative focus and societal consensus – demonstrated by 92% approval for EU membership, among the highest in Europe. The government's aspirational target of closing negotiations by 2027 and achieving full membership by 2030 reflects a strategic calculation: that the current geopolitical climate, combined with Albania's reform momentum, creates a window of opportunity that may not remain open indefinitely.

Albania's early role in operationalising the EU Growth Plan further reinforces this momentum. Eligibility for up to EUR 922.1 million under the Reform and Growth Facility 2024-2027 signals the EU's confidence in Albania's capacity to translate financial incentives into measurable convergence outcomes. The disbursement of EUR 64.5 million in pre-financing – comprising EUR 30 million in concessional loans and EUR 34.5 million for infrastructure – demonstrates tangible early progress, as does Albania's accession to the Single Euro Payments Area (SEPA). Together, these milestones position Albania as a regional frontrunner in implementing the next phase of enlargement-related economic integration.

Yet beneath this progress lies a more complex reality. Albania's convergence path reveals significant structural asymmetries and sectoral divergences that threaten to slow or distort the overall pace of EU alignment. Progress has been rapid and visible in digital governance, employment, macroeconomic stability and the modernisation of administrative services. However, persistent weaknesses in infrastructure, education, health financing, social protection and the rule of law continue to constrain Albania's ability to achieve inclusive and sustainable convergence with the EU.

Economically, Albania continues to grow at a strong pace, benefiting from exceptional tourism performance, robust remittances, rising FDI inflows (particularly in energy and real estate) and a dynamic service sector. These drivers helped to sustain output and employment even in a challenging regional and global context. The macroeconomic framework remains anchored in fiscal prudence and monetary stability, supported by constructive engagement with the IMF. **However, the structure of growth is not yet aligned with long-term competitiveness.** The production base remains narrow, dominated by low-productivity services, construction and small-scale manufacturing. Industrial diversification is limited, innovation ecosystems are underdeveloped, and productivity growth remains sluggish. As a result, even sustained growth has not translated into broad-based employment gains, higher value-added exports or faster convergence in income levels.

This consumption-led model is reinforced by the limited capacity of the state to channel resources into productive infrastructure. Public investment remains far below EU and regional standards, and the quality of investment is affected by fragmented planning, weak project preparation and limited technical capacity. These constraints are particularly visible in Albania's transport and energy infrastructures, which remain among the weakest in Europe. Road density, motorway coverage and railway rehabilitation lag far behind EU norms, constraining market integration, mobility and regional trade. Electricity networks remain outdated, with limited cross-border interconnections and insufficient diversification beyond hydropower. These bottlenecks significantly inhibit Albania's ability to fully benefit from single market integration or to participate more deeply in European value chains.

Institutionally, Albania presents a dual image. On the one hand, administrative modernisation, digital governance and public service reforms have produced tangible improvements in state effectiveness. The expansion of the e-Albania platform has transformed service delivery, reducing bureaucratic complexity and boosting transparency. These achievements position Albania as a leader in digital governance in the Western Balkans. On the other hand, foundational governance challenges persist. Rule-of-law institutions remain fragile, judicial independence and efficiency still fall short of European standards, corruption perceptions remain elevated, and regulatory enforcement remains inconsistent. These deficiencies undermine investor confidence, complicate business operations and impede the absorption of EU funds.

The early stages of EU accession for Bulgaria and Romania offer instructive comparisons. Both countries experienced rapid economic growth post-accession, – 120% in Bulgaria and 129% in Romania – between the year of accession and 2022, but weaker institutional capacity slowed early absorption of EU funds and delayed the implementation of reforms. Albania risks a similar trajectory unless its ongoing judicial and anti-corruption reforms translate into predictable, rules-based governance and credible enforcement. Strong institutions are not only accession requirements but essential tools for ensuring that Albania can effectively absorb pre-accession assistance and, later, EU structural funds.

Socially, Albania also faces a complex reform landscape. Despite achieving near-EU employment rates – driven by strong labour demand in tourism, construction and digital services – poverty reduction has stalled and inequality remains persistent. Social protection spending is insufficient, fragmented and weakly targeted, particularly in rural areas. The gender employment gap has widened sharply due to inadequate childcare services, informality and entrenched care responsibilities borne disproportionately by women. Underinvestment in health and education compounds these challenges, undermining human capital formation and reducing Albania's long-term growth potential. These deficiencies also limit the country's capacity to benefit from deeper EU integration, as innovation, productivity and competitiveness depend on having a well-educated and healthy workforce.

Environmental performance similarly reflects structural imbalances. Albania's renewable energy profile, at 167% of the EU average, is a significant strength, but hydropower dependency makes the energy system vulnerable to climate variability. Waste management, carbon reduction and energy efficiency remain underdeveloped. The adoption of the NECP and Green Agenda commitments demonstrate policy ambition, but implementation is hindered by financing constraints and weak regulatory enforcement. These gaps intersect directly with infrastructure and industrial policy and must be addressed if Albania is to align with the EU's climate and energy acquis.

Scenario modelling results further highlight these structural asymmetries. Transfers from the EU budget emerge as the single most important determinant of Albania's convergence trajectory, with institutional quality playing a crucial complementary role. Also, improvements in governance and rule of law do accelerate convergence across multiple pillars. When EU budget access or single market integration are combined with strong institutions, convergence accelerates more dramatically. Full EU membership yields the greatest acceleration, especially in infrastructure, governance and economic indicators. Conversely, single market access alone delivers economic benefits but does little to address gaps in health, education and social protection – areas in which Albania significantly trails the EU.

Demographic pressures add another layer of urgency. Albania has lost roughly 15% of its population since 2011 due to emigration, with skilled workers being disproportionately represented among those leaving. Emigration weakens human capital and productivity, which in turn reduces economic opportunities and incentivises further out-migration. Coupled with population decline trends, this increases pressures on the labour market, fiscal sustainability and the capacity of social protection systems to support an ageing population.

Taken together, these factors reveal three cross-sectoral constraints that shape Albania's uneven convergence: institutional effectiveness and policy coordination, fiscal underinvestment in productive sectors, and demographic depletion. Unless Albania strengthens state capacity to plan, coordinate, finance and execute complex reforms and investments, progress will continue to occur in isolated pockets (e.g. digitalisation) rather than producing systemic and sustainable convergence with EU living standards.

Despite these challenges, Albania's recent performance also demonstrates its considerable reform capacity when political will, institutional ownership and external incentives align. The rapid digital transformation of public services shows how quickly Albania can leapfrog towards EU standards. The task now is to replicate this momentum across lagging sectors, especially infrastructure, social protection, health, education and rule of law. The policy choices made over the next five years, both in Tirana and Brussels, will determine whether Albania's convergence curve accelerates towards EU averages by mid-century or remains delayed by structural gaps that could persist into the 2070s.

2. Policy Discussion by Areas

ECONOMY

Key Findings: Albania's economic convergence continues but remains constrained by a narrow growth base dominated by tourism, construction and remittance-driven consumption. Manufacturing and export diversification lag, and productivity remains low due to limited industrial capacity and weak innovation systems. Wage increases driven by minimum-wage adjustments and tight labour markets have supported household income but pose risks to external competitiveness in the absence of productivity growth.

Policy Context and Reform Developments: Fiscal discipline and macroeconomic stability have preserved investor confidence, yet low levels of public capital spending limit long-term growth potential. Expanding productive investment, strengthening property rights, reducing informality and upgrading commercial dispute-resolution mechanisms are increasingly urgent as Albania moves closer to single market integration. At the same time, structural gaps persist: the absence of a coherent industrial policy, underdeveloped R&D and innovation ecosystems, and weak supporting institutions (e.g. standardisation, market surveillance and product-safety bodies) undermine Albania's competitiveness and ability to integrate into European value chains. The alignment of the Economic Reform Programme (ERP) and Growth Plan priorities offers an opportunity to reorient growth towards higher value-added sectors, but implementation capacity remains uneven.

EU Conditionality and Regional Frameworks: The Growth Plan operationalises a sequence of reforms linked to phased access to EU single market elements, making progress conditional on the quality of Albania's economic governance, competition policies and investment climate. The Central European Free Trade Agreement (CEFTA), the Common Regional Market (CRM) and the ERP framework provide complementary platforms for improving state aid transparency, customs harmonisation and trade facilitation. Effective engagement with these frameworks is crucial for attracting export-oriented FDI and supporting domestic firms in upgrading towards EU standards.

Scenario Insights: Scenario modelling shows that Albania's GDP-per-capita convergence accelerates meaningfully only when structural reforms are combined with deeper EU integration. EU membership or full access to the EU budget substantially reduces the time required for income convergence, whereas integration without reform produces only marginal gains. Single market access improves competitiveness through trade and investment channels, but the benefits remain partial without reforms in productivity, innovation and infrastructure.

Policy assessment and reform outlook: A strategic policy shift anchored in productivity, innovation and institutional quality is essential if Albania is to sustain convergence, improve external competitiveness, and leverage the opportunities of the EU Growth Plan and phased single market entry. This requires: developing a coherent industrial policy targeting 3-4 priority sectors (e.g. agro-processing for EU market access, digital services leveraging e-government success, sustainable tourism value-chain deepening beyond seasonal hospitality, and light manufacturing) with five-year tax holidays for export-oriented investments; increasing R&D spending from 0.19% of GDP to 1.0-1.2% by 2030 through 50% tax credits and innovation vouchers for SMEs; strengthening standardisation and quality infrastructure through EU-accredited testing labouratories and mandatory product safety certification; establishing streamlined investment promotion with 48-hour business registration; and creating export diversification programmes targeting EUR 500 million in non-traditional exports by 2028. Additionally, addressing informality requires simplified tax regimes for micro-enterprises, gradual pension-contribution reductions for newly formalised workers, and strengthened inspections combined with positive incentives for compliant businesses. Implementation must be institutionalised through a permanent inter-ministerial Economic Transformation Committee with quarterly monitoring of ERP and Growth Plan benchmarks. **These reforms are critical to shift Albania's consumption-driven growth model towards a productivity-based economy capable of competing in European value chains.**

SOCIAL

Key Findings: Despite high employment rates approaching EU levels, Albania continues to face persistent poverty, high inequality and a growing gender employment gap. Low wage productivity and limited redistribution weaken social outcomes, while demographic pressures – driven by the emigration of skilled workers – undermine long-term labour supply and social insurance sustainability.

Policy Context and Reform Developments: Recent reforms have focused on modernising welfare administration through digitalisation and piloting activation-oriented measures (e.g. the Youth Guarantee). These initiatives represent important steps towards more responsive and inclusive social policy. However, governance fragmentation between key ministries reduces reform coherence, and social protection spending remains low by EU standards, with benefits often poorly targeted and inadequate to reduce poverty effectively. In addition, demographic decline poses an increasingly systemic risk and, without a national labour migration and return strategy, Albania faces continued outflows of skilled workers, exacerbating shortages in key sectors and shrinking the future contributor base for pensions and health care. Childcare gaps and weak work-life-balance structures further limit female participation, reducing the overall employment potential needed for convergence.

EU Conditionality and Regional Frameworks: The EU Social Pillar of Rights, along with the Child and Youth Guarantees, provides a structured framework for improving social inclusion and labour market outcomes. Through IPA III, United Nations Children's Fund (UNICEF) and United Nations Development Programme (UNDP) support, Albania is encouraged to strengthen social services, expand activation programmes, and improve the adequacy and targeting of social assistance. Alignment with these frameworks is increasingly essential as Albania moves towards phased single market access, where social cohesion and labour-market resilience are key enabling conditions.

Scenario Insights: Scenario modelling demonstrates that Albania's poverty-reduction trajectory remains extremely slow under all paths without significant increases in social protection capacity. Even full EU membership reduces convergence time only modestly, reflecting deep structural gaps in welfare design. Population decline continues under most scenarios, except under full membership, where return migration begins to stabilise the labour force. This highlights that social policy reform is not only a convergence challenge but a demographic and economic necessity.

Policy Assessment and Reform Outlook: Albania must strengthen its social model to ensure inclusive convergence and resilient labour markets. Priority reforms include: expanding social insurance coverage from 60% to 75% of the working-age population by 2028 through simplified enrolment for informal workers, 50% contribution subsidies for 24 months, and mandatory automated payroll enrolment; increasing the economic assistance programme (Ndihma Ekonomike) to 60% of the poverty line with inflation indexing and means-tested supplements; scaling the Youth Guarantee to 80% NEET coverage by 2027 through Public Employment Service expansion (1:150 case manager ratio) and 12-month wage subsidies (50% of minimum wage); and implementing comprehensive childcare strategy expanding coverage from 20% to 50% (ages 0-3) and from 60% to 90% (ages 3-6) by 2029 through 150 new facilities, vouchers covering 60-70% of costs, and extended parental leave with 80% income replacement to narrow the gender gap from 27 to 10 percentage points (pp) by 2035. Demographic sustainability requires a National Labour Migration Strategy by 2026 with pertaining bilateral agreements for circular migration and diaspora skills recognition.

Strengthening local service delivery through transferring social functions to municipalities with 30% fiscal increases, establishing integrated one-stop centers and implementing digital case management will improve outcomes. Pension reforms, including retirement-age increases to 67 by 2035 and voluntary third-pillar pensions, complete the agenda. **These reforms will be essential to ensure that Albania's economic convergence translates into tangible social progress and that the country is prepared for the social standards required under single market integration.**

HEALTH

Key Findings. Albania has achieved near-parity with EU life expectancy (98% of EU average) despite having health spending at only 42.9% of EU levels, which demonstrates effective public health measures and healthcare system efficiency. Infant mortality improved to 54% of EU standard (+3.3 pp), reflecting successful maternal and child health programmes, while hospital beds reached 71% of EU average (+3.3 pp), showing infrastructure momentum. However, system sustainability is threatened by chronic underfunding, high out-of-pocket payments, and the emigration of medical personnel, which keeps physician density at just 55% of EU average.

Policy Context and Reform Developments: The Health Strategy 2021-2030 and e-health reforms improved data management and service digitalisation, while primary care and vaccination programmes delivered life expectancy gains. Yet the out-migration of medical personnel continues to undermine service quality, particularly in rural and underserved areas, creating regional disparities in access. Limited public investment constrains both infrastructure modernisation and workforce retention, while out-of-pocket payments impose financial barriers that disproportionately affect vulnerable populations.

EU Conditionality and Regional Frameworks: EU conditionality under Chapter 28 (Consumer and Health Protection) and the Social Policy Chapter, combined with the RCC's Human Capital agenda, provide frameworks for health governance modernisation and financing reform. The EU's health security requirements and pharmaceutical standards alignment offer technical benchmarks. IPA III health programming and potential future European Social Fund Plus (ESF+) access can support infrastructure and workforce development, but absorption depends on strengthening project preparation capacity in the Ministry of Health and aligning investments with strategic workforce planning to reverse physician out-migration trends.

Scenario Insights: No scenario delivers quick convergence in life expectancy. Under the status quo, Albania continues to diverge, despite being so close to the EU average. Full EU membership could eventually close the gap in roughly 37 years, while EU budget access would make this about 70 years. Single market access and institutional reforms alone perform worse, with projected convergence times of 100+ years. One must also bear in mind that life expectancy in Albania is almost at EU level (98%).

Policy Assessment and Reform Outlook: Sustaining and accelerating Albania's health convergence requires strategic reforms: increasing public health spending towards 5-6% of GDP through dedicated health financing mechanisms (e.g. increases in health insurance contributions or earmarked taxation); implementing comprehensive physician retention programmes – including salary adjustments, rural service incentives and professional development opportunities – to address Albania's 55% physician gap; expanding preventive care and primary health services to reduce hospital dependency and improve cost-effectiveness; reducing out-of-pocket payment burdens through expanded insurance coverage and regulated pharmaceutical pricing; and addressing regional disparities through targeted investments in underserved areas. Additionally, scaling e-health infrastructure beyond administrative functions to clinical decision support and telemedicine can improve service access in Albania's remote regions. **These reforms will ensure that Albania's impressive life expectancy gains are supported by a financially sustainable and adequately staffed health system that can meet growing citizen expectations and demographic pressures.**

EDUCATION

Key Findings: Education outcomes diverge from EU standards despite achieving 104% of EU average in tertiary activity and 81% in tertiary enrolment (+3.4 pp). The critical constraint is quality rather than access: PISA scores stand at only 78% of EU average, revealing gaps between enrolment and learning achievement. Public education investment remains low, at 56.5% of EU average (-3.8 pp), while outdated curricula misaligned with labour market needs limit graduate employability. The NEET (not in education, employment or training) rate, at 40% of EU average, highlights disconnection between education systems and employment opportunities despite overall employment reaching 97% of the EU level.

Policy Context and Reform Developments: The Skills for Jobs programme and ongoing VET reform under the National Employment and Skills Strategy are helping to modernise vocational training, while tertiary-enrolment expansion demonstrates access improvements. However, education-economic sector coordination remains weak, limiting graduates' labour market transitions. Teacher quality, curriculum content and school infrastructure lag behind EU standards, while early childhood education coverage falls short of demand. The concentration of education spending on salaries rather than quality inputs (e.g. teaching materials, technology and professional development) constrains the effectiveness of available resources.

EU Conditionality and Regional Frameworks: Alignment with Chapters 25 (Science and Research) and 26 (Education and Culture), plus the RCC's Western Balkans Skills Vision, provides frameworks for quality assurance and regional qualification recognition. The EU's Erasmus+ programme supports mobility and institutional partnerships, while Horizon Europe offers research capacity-building. IPA III education programming should prioritise teacher quality, early childhood development and tertiary-labour market linkages, with measurable learning outcomes replacing input-based metrics. EU pre-accession funds must shift from infrastructure to quality transformation.

Scenario Insights: Tertiary enrolment converges in about 19 years under the status quo. Full EU membership shortens this slightly to 17 years, and EU budget access to 18 years, while single market access and institutional reforms alone leave the convergence horizon broadly unchanged. External scenarios therefore provide only a modest acceleration; domestic education policy, public spending and demographic dynamics remain the main drivers.

Policy Assessment and Reform Outlook: Transforming Albania's education system for convergence requires comprehensive action across levels: increasing public education spending to at least 4.5-5% of GDP with prioritisation of quality inputs over administrative expansion; expanding early childhood education coverage to over 90% for ages 3-6, thereby providing a foundation for later learning and enabling higher female labour force participation; implementing teacher-quality reforms, including merit-based compensation, continuous professional development requirements and modernised pre-service training aligned with EU standards; updating curricula to emphasise critical thinking, digital literacy and STEM competencies – thereby addressing the learning quality gaps reflected in Albania's PISA scores (78% of EU average) – while strengthening VET-industry partnerships for dual-track programmes; improving tertiary quality assurance through outcome-based funding that links resources to graduation rates, employment outcomes and research productivity; and developing robust school-to-work transition mechanisms – including career counseling, internship programmes and employer engagement – to address Albania's NEET challenge. **Critically, closing the gap between Albania's high enrolment rates and actual learning outcomes will determine whether the education system produces the skilled workforce needed for economic transformation and competitiveness.**

GOVERNANCE

Key Findings: Albania's governance indicators reached 73.8% of EU average (+1.8 pp), with government effectiveness leading at 80% (+6.0 pp) and political stability at 86% (+2.5 pp), demonstrating that rapid administrative improvements are achievable when reforms are prioritised. However, rule of law stands at only 65.8% and corruption control at 63% (+2.5 pp), revealing persistent enforcement gaps despite legislative alignment. Justice reform – which is central to Chapters 23 and 24 – has advanced institutionally through vetting processes and the reconstitution of the Supreme Court, yet anti-corruption enforcement remains uneven with limited high-level prosecutions and asset recovery.

Policy Context and Reform Developments: The rapid digitalisation of public services through e-Albania increased transparency and service accessibility, contributing to government effectiveness gains. However, oversight institutions and the judiciary face capacity constraints and credibility challenges that prevent effective accountability. The asymmetry between improved administrative effectiveness and slower rule-of-law progress reflects structural challenges: while digital reforms can transform service delivery quickly, embedded interests and political interference obstruct anti-corruption enforcement and judicial independence. Regulatory quality improvement (75% of EU average) shows progress in legislative frameworks, but implementation gaps persist due to weak inspection capacity and discretionary enforcement.

EU Conditionality and Regional Frameworks: The EU Growth Plan and the Berlin Process provide external reform anchors and monitoring mechanisms, with phased single market access being conditional on credible rule-of-law progress. Chapter 23 (Judiciary and Fundamental Rights) and Chapter 24 (Justice, Freedom and Security) benchmarks offer detailed roadmaps, while OECD SIGMA principles provide standards for modernising public administration. The next phase requires translating legislative alignment into measurable outcomes: predictable regulatory enforcement, a professionalised administration insulated from political cycles, and an independent judiciary delivering timely, consistent rulings. Institutional quality will determine whether Albania's convergence trajectory will mirror those of faster-reforming Baltic states or experience implementation delays like those seen in the early post-accession years in Bulgaria and Romania.

Scenario Insights: Governance gradually improves across all integration paths. Under the status quo, convergence in control of corruption would take about 31 years. Full EU membership, EU budget access or institutional reforms all bring this down to around 21 years, reflecting the importance of both domestic reforms and EU conditionality. Single market access alone has no additional effect beyond the status quo, as trade and investment integration do not directly address corruption. The key message is that governance convergence is slow under all scenarios and requires sustained, internally driven reform.

Policy Assessment and Reform Outlook: Sustaining Albania's governance convergence and accelerating rule-of-law progress requires targeted interventions: completing judicial vetting by the June 2026 deadline while simultaneously expanding judicial capacity through expedited appointments of vetted judges to address case backlogs; establishing integrated case management systems across prosecution and courts to enhance efficiency and enable performance monitoring; expanding specialised anti-corruption staffing with adequate resources, training and protection from political interference; making asset declarations of public officials publicly accessible online with automated conflict-of-interest checks; strengthening sector-specific integrity measures in high-risk areas (e.g. public procurement, property registration, customs, health procurement and education appointments) through enhanced oversight and whistleblower protection; and depoliticising appointments across constitutional bodies and independent institutions through merit-based, transparent processes with meaningful civil society participation. **Critically, enforcement credibility – demonstrated through successful high-level prosecutions and asset recovery – determines whether Albania's governance improvements translate into investor confidence and sustained convergence.**

ENVIRONMENT

Key Findings: At 54.4% of EU average, environmental performance shows stark contrasts: although renewable energy leadership (at 167% of EU average) positions Albania as a regional environmental frontrunner, this advantage derives almost entirely from hydropower dependency, which creates vulnerability to climate variability. Waste management stands at only 30% of EU average, representing the pillar's greatest gap, while energy intensity (at 58%) and carbon intensity far above EU levels reveal significant efficiency challenges. Pollution-attributable deaths remain well above EU levels despite some recent improvement, indicating persistent air-quality and environmental-health concerns.

Policy Context and Reform Developments: The National Energy and Climate Plan (NECP) and alignment with the Green Agenda for the Western Balkans mark important strategic steps, establishing frameworks for emissions reduction and the expansion of renewables. However, limited financing and weak enforcement capacity hinder implementation. Energy Community and Transport Community frameworks push for market liberalisation and infrastructure standards, but compliance gaps persist. Waste management infrastructure remains inadequate, with landfilling predominant and recycling/recovery minimal. Improved monitoring of air quality has not translated into effective pollution control enforcement, particularly regarding industrial emissions and urban transport.

EU Conditionality and Regional Frameworks: Chapter 27 (Environment and Climate Change) conditionality and Energy Community obligations provide detailed implementation roadmaps and monitoring mechanisms. The Green Agenda for the Western Balkans prioritises waste management, energy efficiency and pollution control with dedicated technical assistance and potential funding. The EU's Green Transition Facility under the Growth Plan offers financing for renewable diversification and circular economy infrastructure, but it requires bankable projects and co-financing capacity. IPA III environment and climate programming should prioritise waste infrastructure, energy-efficiency retrofits and enforcement capacity, with performance metrics tied to measurable environmental outcomes rather than legislative transposition. The experiences of Bulgaria and Romania demonstrate that environmental acquis alignment takes sustained effort post-accession; frontloading enforcement capacity-building and infrastructure investment pre-accession can avoid prolonged transition periods.

Scenario Insights: Green convergence responds strongly to deeper integration. Energy intensity would converge only very slowly under the status quo (about 84 years). Full EU membership cuts this to roughly 20 years, and EU budget access to 29 years, reflecting the impact of large-scale investment and stricter climate and energy rules. Single market access and institutional reforms improve matters more gradually, to 43 and 57 years, respectively. Without targeted green reforms and substantial investment, Albania risks remaining much more energy intensive than the EU even as its economy grows.

Policy Assessment and Reform Outlook: Accelerating Albania's environmental convergence requires comprehensive action across multiple fronts: diversifying the renewable energy mix beyond hydropower through targeted solar and wind development, with streamlined permitting and grid-integration planning to reduce climate vulnerability while maintaining Albania's clean energy leadership; transforming waste management through the construction of modern regional facilities, mandatory separation programmes, extended producer responsibility schemes and landfill phase-outs, potentially achieving 60-70% waste recovery rates within a decade with adequate investment; improving energy efficiency through building retrofit programmes (particularly in residential and public sectors), industrial efficiency standards and district heating modernisation to address the 58% energy intensity gap; strengthening air-quality enforcement through expanded monitoring networks, stricter emission standards for transport and industry, and cleaner fuel transitions; and integrating environmental objectives into infrastructure planning and fiscal policy, ensuring that transport investments prioritise public transit and rail over road expansion, and that fiscal incentives support green technologies. **Without these measures, Albania risks squandering its renewable energy advantage while remaining vulnerable to climate shocks, waste crises and air-quality problems that undermine both public health and economic potential.**

DIGITALISATION

Key Findings: Digitalisation stands out as Albania's most advanced convergence area – at 63.9% of EU average (+3.3 pp) and with an 11-year convergence timeline – demonstrating leapfrogging capacity when strategic investments align. E-government services achieved an exceptional 121% of EU average (+30.6 pp), placing Albania ahead of many member states thanks to the e-Albania platform, which digitalised over 1,200 government services. Internet household access reached 104.2% (full convergence), while business website adoption stands at 72% (+12.7 pp), showing strong private-sector digital engagement. However, digital-sector economic potential remains underutilised: ICT exports represent only 18% of EU average, ICT employment 41%, and ICT value-added 53%, revealing gaps in translating digital-infrastructure excellence into tradable services and economic transformation.

Policy Context and Reform Developments: Recent Digital Agenda 2022-2026 initiatives, combined with EU IPA III support and RCC digital programmes, helped SMEs transition online and improved digital public services. Legislative progress on data protection (alignment with the General Data Protection Regulation, GDPR), cybersecurity (transposition of the Network and Information Security Directive 2, NIS2), and electronic identification advanced regulatory frameworks. Yet private-sector productivity gains from digitalisation remain limited, as digital adoption has not substantially transformed business processes, innovation capacity or value creation in traditional sectors. The gap between government digital excellence (121%) and ICT-sector economic contribution (18-53% across indicators) points to systemic barriers: insufficient digital skills, weak innovation ecosystems, limited venture capital and inadequate ICT-sector linkages to traditional industries.

EU Conditionality and Regional Frameworks: Integration with the EU Digital Single Market through phased access under the Growth Plan offers opportunities for data-flow liberalisation and digital services trade. IPA III digital programming and potential Digital Europe Programme participation post-accession would provide funding for skills, innovation and cybersecurity. However, effectiveness depends on moving beyond connectivity infrastructure to productivity-enhancing digital transformation. Albania's e-government success demonstrates implementation capacity; replicating this across economic sectors requires treating digitalisation as a horizontal enabler of competitiveness rather than a standalone technical achievement. The 11-year convergence timeline for overall digitalisation can accelerate if digital infrastructure advantages translate into ICT-sector growth and economy-wide productivity gains.

Scenario Insights: The digital sector is very sensitive to some forms of EU integration. In all scenarios, ICT exports either take decades to catch up or diverge. Under full EU membership, convergence is projected in about 49 years, while EU budget access makes this 56 years. Under the status quo, single market access or institutional reforms alone, ICT exports continue to diverge. This suggests that Albania's current digital strengths lie more in connectivity and e-government than in tradable ICT services, and that specific industrial and skills policies are needed to turn the digital base into export capacity.

Policy Assessment and Reform Outlook: Translating digital leadership into economic transformation requires strategic interventions beyond infrastructure deployment: expanding STEM education and digital skills development across secondary, tertiary and adult learning to address talent shortages limiting ICT-sector growth; fostering innovation ecosystems and ICT entrepreneurship through startup support programmes, technology incubators and venture capital access; incentivising digital transformation in traditional sectors (e.g. manufacturing, agriculture and tourism) through subsidised digitalisation consultancy, technology-adoption grants and best-practice dissemination; boosting software development and IT services export capacity through targeted FDI attraction, skills alignment with global demand, and diaspora entrepreneurship programmes; and strengthening cybersecurity-infrastructure and data-governance frameworks to enable Albania's positioning as a secure digital services hub. Digital public services must extend beyond government-to-citizen transactions to enable full business lifecycle digitalisation (e.g. company registration, licensing, reporting and procurement) so as to reduce administrative burdens and enhance competitiveness. **Albania's digital success story will remain incomplete until the e-government model is replicated across the private sector, turning connectivity infrastructure into genuine economic competitiveness and export capacity.**

INFRASTRUCTURE

Key Findings: At only 14% of EU average, infrastructure remains Albania's weakest convergence area, reflecting decades of underinvestment and fragmented planning. Despite visible improvements, such as the expansion of Tirana International Airport and rehabilitation of the Tirana-Durrës railway line, overall network density and quality lag dramatically: motorways at 4.1% of EU density, roads at 8%, railways at 10%, and electricity-grid capacity at 25% of EU average. This infrastructure deficit constrains trade competitiveness, limits tourism potential despite strong demand, and prevents effective leverage of the 167% renewable energy advantage, which would require modern grid infrastructure for export potential and stability.

Policy Context and Reform Developments: The National Transport Strategy and the Trans-European Transport Network (TEN-T) corridor alignment established frameworks for prioritising Corridor VIII (Albania-North Macedonia) and Adriatic-Ionian connectivity. EU funding through IPA III and the Western Balkans Investment Framework (WBIF), combined with IFI support, finances flagship projects. However, implementation suffers from chronic challenges: slow project preparation, land acquisition delays, procurement disputes and insufficient maintenance budgets, causing network deterioration to offset any new construction. Multi-year capital planning remains weak, with annual budget reallocations disrupting project continuity. The gap between announced infrastructure investments and actual delivery erodes credibility and delays convergence; recent years saw approximately 50% completion rates of announced programmes.

EU Conditionality and Regional Frameworks: EU conditionality through TEN-T extension, Transport Community Treaty obligations, and Energy Community frameworks provides both standards and financing. The Growth Plan infrastructure window offers grants and concessional loans, but it requires credible project pipelines and implementation track records. Scenario modeling shows EU budget access could transform infrastructure from 14% to 70-80% of EU average by 2040, but only if absorption capacity strengthens and governance improves. Bulgaria increased ity motorway length by over 400% and Romania tripled its highway kilometers post-accession through effective Cohesion Fund utilisation; Albania can replicate this with frontloaded capacity-building. However, continued implementation delays, procurement irregularities and maintenance neglect will result in infrastructure remaining a convergence constraint regardless of available financing. The 100+ year baseline convergence timeline reflects institutional weaknesses more than resource scarcity; reforms enabling effective project delivery are prerequisites for translating EU support into actual infrastructure.

Scenario Insights: Infrastructure is the least sensitive area. Road density is so far below EU levels that convergence times are very long (100+ years) under all the scenarios. Rather than meaning that roads will not improve under different EU accession options, this reflects the scale of the gap and the slow nature of infrastructure accumulation. The implication is clear: EU funds can help, but Albania must radically improve project preparation, execution and maintenance if infrastructure is to stop being a structural drag on convergence.

Policy Assessment and Reform Outlook: Transforming infrastructure from convergence bottleneck to enabler requires comprehensive institutional and investment reforms: accelerated TEN-T Corridor VIII implementation with a focus on railway modernisation (Durrës-Tirana-North Macedonia border) to enhance trade connectivity and reduce road freight dependency; improved project-preparation capacity through the establishment of dedicated infrastructure project-preparation units with technical expertise, standardised feasibility studies and realistic costing; enhanced IPA III and WBIF absorption through streamlined co-financing mechanisms, strengthened procurement capacity and expedited land-acquisition procedures; multi-year investment planning with protected capital budgets that prevent mid-project funding disruptions, accompanied by transparent project pipeline publication and milestone tracking; prioritised energy-grid modernisation and cross-border interconnections (Albania-Kosovo, Albania-Greece) to enable renewable energy exports and enhance supply security; and strengthened maintenance frameworks with dedicated funding that prevents asset degradation requiring costly future rehabilitation. Ultimately, infrastructure investment must align with economic transformation and environmental objectives – while prioritising rail and sustainable transport over road expansion, integrating renewable energy-enabling infrastructure, and ensuring that rural connectivity supports inclusive development rather than concentrating benefits in the Tirana-Durrës corridor. **Until Albania builds effective project-delivery institutions, even generous EU funding will fail to close the infrastructure gap, which currently limits trade, tourism and regional integration.**

3. Conclusions and Policy Recommendations

Albania's convergence path towards EU living standards remains steady but uneven. The country demonstrates how targeted reforms and digital transformation can accelerate progress under fiscal and institutional constraints. Yet persistent weak infrastructure, low productivity and underfunded social sectors continue to slow EU alignment.

Recent experience confirms that technical reforms alone are insufficient; sustained convergence requires deeper institutional credibility, stronger public investment capacity and coherent policy coordination. EU-driven frameworks (e.g. the Growth Plan, IPA III, and the Green and Digital Agendas) provide strategic scaffolding, but domestic ownership and execution capacity remain critical bottlenecks.

Albania's challenge is converting digital- and economic-growth successes into balanced development. Convergence depends on three interlinked priorities:

- Reorienting growth towards productive and tradable sectors through industrial upgrading, innovation and regional integration
- Investing in people – from early education to health and skills – for inclusive growth
- Consolidating institutions to ensure rule-based governance and the effective use of EU funds

a) National Policymakers and Government Institutions

Rebalance investment priorities. Increase capital expenditure in transport, energy and education, shifting from consumption towards productivity-enhancing investments.

Strengthen institutional coordination. Establish central convergence monitoring under the State Agency for Strategic Programming and Aid Coordination (SASPAC) to align sector strategies with the Growth Plan, the Reform Agenda and IPA programming. SASPAC already coordinates IPA and monitors the National Strategy for Development and Integration, making it well positioned for this expanded role.

Advance industrial and skills policy. Introduce targeted incentives for value-added manufacturing and services linked to VET and tertiary curricula.

Operationalise institutional quality targets. Complete judicial vetting by June 2026 and implement automated asset-declaration systems. Depoliticise the civil service through merit-based recruitment, and eliminate normative act budget revisions. Establish sector-specific integrity protocols in customs, property and procurement. These are absorption-capacity prerequisites that will determine Growth Plan effectiveness.

Invest in human capital. Expand early childhood development, modernise teacher training and increase health financing, especially preventive and primary care.
Green and digital transitions. Integrate energy diversification (solar, wind) and circular economy into infrastructure planning. Link digitalisation to productivity and job creation.

b) European Union Institutions and Member States

Link accession incentives to measurable convergence. Align IPA III and Growth Plan financing with progress in convergence indicators rather than procedural benchmarks.
Accelerate gradual integration. Open the EU single market selectively for WB6 sectors (e.g. digital services, transport and green energy) before full accession.
Ensure pre-accession investment parity. Include the WB6 in the next Multiannual Financial Framework as 'pre-members' in cohesion and recovery mechanisms.
Refine conditionality design. Shift from formal compliance to performance-based disbursement. Instead of rewarding adopted legislation and published strategies, tie funding to verified results, such as functioning anti-corruption systems, reduced energy consumption, expanded vocational training in needed sectors, and operational digital government services that deliver measurable improvements.
Deepen bilateral partnerships. Encourage EU member states to expand twinning, targeted investment and skills-mobility schemes.
Prioritise high-impact convergence reforms. Sequence conditionality to front-load reforms with immediate convergence benefits (e.g. procurement modernisation, managing authority strengthening and statistical capacity) while maintaining steady progress on broader institutional requirements.

c.) Regional and International Organisations

Enhance regional policy coordination. The RCC, CEFTA, and Energy and Transport Communities should intensify peer learning and monitoring focused on measurable convergence indicators, not only legal alignment.
Support integrated investment platforms. The EBRD, EIB, World Bank and IMF can coordinate infrastructure financing under a single multi-donor framework aligned with the Growth Plan and Connectivity Agenda.
Prioritise green and human capital investments. International partners should focus more on lending for climate resilience, energy diversification and skills development.
Facilitate evidence-based reform design. Engage international and regional analytical institutions (e.g. the OECD, World Bank, IMF, EBRD and RCC) in

methodological dialogue to establish converge2eu as a recognised monitoring framework, strengthening evidence-based policy design across the WB6.

Support public-administration reform and capacity-building. Coordinate technical assistance on depoliticising the civil service by making recruitment merit-based, enhancing budget management transparency and eliminating excessive normative acts. Building administrative capacity for EU funds absorption remains critical for effectively utilising Albania's EUR 922.1 million allocation from the Reform and Growth Facility (2024-2027) and future cohesion funds.

D) Civil Society, Academia and Think Tanks

Strengthen accountability and transparency. Civil society should continue independent convergence outcome monitoring, focusing on service quality, spending efficiency and social inclusion.

Foster policy dialogue and public understanding. Research institutes and universities can serve as a bridge between data analysis and the public debate, thereby helping citizens to grasp 'convergence' beyond technical indicators.

Promote regional knowledge networks. Think tanks in the WB6 should collabourate on joint studies, offering evidence-based input to Growth Plan implementation and enlargement advocacy.

Engage youth and professional communities. Involving young professionals, digital innovators and academia in policy design will sustain reform legitimacy and bridge institutional-citizen trust gaps.

Bottom line: Albania's trajectory demonstrates that rather than being mechanical, convergence is a test of governance and strategic foresight. The digital revolution shows the country's capacity for rapid transformation when policy, leadership and incentives align. The same focus must now be applied to infrastructure, education and social cohesion.

The next stage of Albania's European journey depends on institutionalising convergence – that is, turning short-term successes into long-term systems. With coherent policies, targeted EU support and sustained public trust, Albania can close its remaining gaps with the EU within a generation.

METHODOLOGICAL NOTE

What do the different numbers reported here 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 five years:** shows the average annual pace of change over the last five 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 while assuming that 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 monthly wage in Serbia is EUR 1,150 and the average monthly 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), the calculation is reversed*** so that a higher percentage always indicates better performance.
Example: If the unemployment rate is 11% in Kosovo and 6% in the EU, Kosovo's relative level is 55% of the EU average (6/11).

Rate of change over the past five 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 five 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 five-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 five 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/area averages?

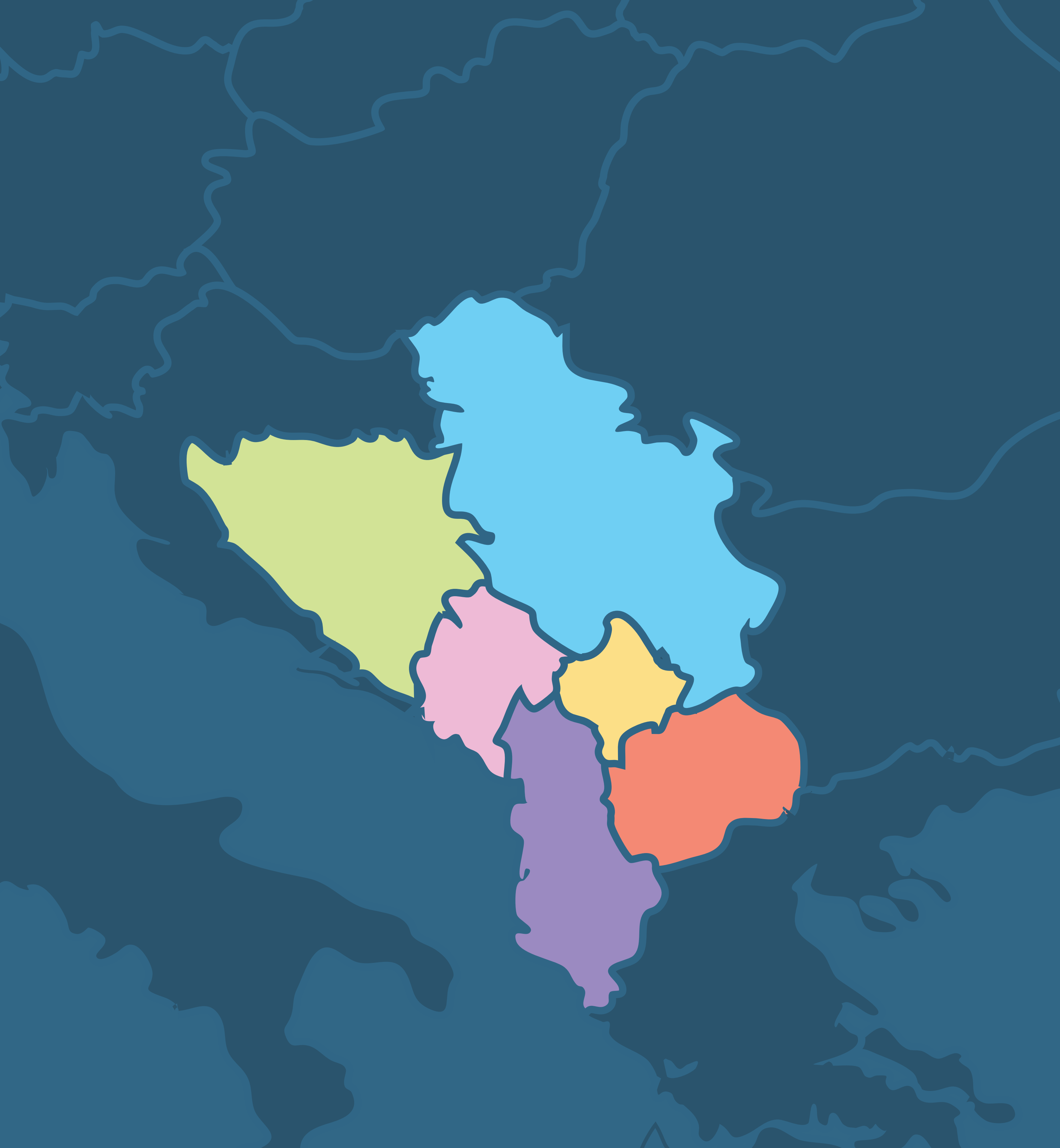
% of EU Average: calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.
Example: If Albania's five environment indicators are 50%, 55%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

Rate of change over the past five 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 five years.
Example: If Bosnia and Herzegovina's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the five-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 five 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 two 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 (measured as a percentage of the EU average) is at or 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 five 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 percentage of the EU average) has been declining by 0.4 pp per year, the country is diverging. A categorisation of 'Not Possible' may be used when a convergence calculation cannot take place due to missing data.



Explore the dashboard at:
www.converge2.eu

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