IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN, OR INTO, THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs"), AS DEFINED IN, AND IN COMPLIANCE WITH, RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, whether received by e-mail or other electronic distribution system, accessed from the internet, or received as a result of electronic transmission or otherwise, and you are therefore required to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The Offering Circular has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein, which are exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States other than as set forth herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE THE OFFER, SALE OR SOLICITATION IS NOT PERMITTED. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED.

FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, you must be either: (i) outside of the United States; or (ii) a QIB (within the meaning of Rule 144A under the Securities Act). The Offering Circular is being sent at your request, and, by accessing the Offering Circular, you shall be deemed to have represented to the Issuer and the Joint Lead Managers (as defined below) that (1) you understand and agree to the terms set out herein; (2) in respect of securities being offered in an offshore transaction pursuant to Regulations S, you are outside the United States, and that, to the extent the Offering Circular is delivered via e-mail, the e-mail address to which, pursuant to your request, the Offering Circular has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S under the Securities Act; (3) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB; (4) you consent to delivery by electronic transmission; (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers and the Issuer (each as defined in the Offering Circular); and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) those persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons collectively being referred to as "**relevant persons**"). The Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. No other person should rely on it.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) № 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Offering Circular or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Deutsche Bank Aktiengesellschaft, Intesa Sanpaolo S.p.A., London Branch, J.P. Morgan Securities plc or Société Générale (collectively, the "**Joint Lead Managers**") or the Issuer and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Joint Lead Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

THE REPUBLIC OF ALBANIA

€650,000,000 4.750% Notes due 14 February 2035

Issue Price: 98.070%

The issue price of the €650,000,000 4.750% Notes due 14 February 2035 (the "**Notes**") of the Republic of Albania (the "**Issuer**", the "**Republic**" or "**Albania**") is 98.070% of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 14 February 2035 (the "**Maturity Date**"). The Notes will bear interest from, and including, 14 February 2025 at the rate of 4.750% *per annum* payable annually in arrear on 14 February in each year, commencing on 14 February 2026. Payments on the Notes will be made in Euros without deduction for, or on account of, taxes imposed or levied by Albania to the extent described under "*Terms and Conditions of the Notes – 8. Taxation*".

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's main market (the "**Market**"). For the purposes of such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) № 2017/1129, as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (as amended, the "**UK Prospectus Regulation**"). Accordingly, this Offering Circular has not been reviewed or approved by the FCA and has not been approved as a prospectus by any other competent authority under the UK Prospectus Regulation. The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation but will be listed in accordance with the listing rules of the London Stock Exchange.

Reference in this Offering Circular to being "**listed**" (and all date references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a UK regulated market for the purposes of Regulation (EU) № 600/2014 on markets in financial instruments, as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**").

The Notes are expected to be assigned a rating of Ba3 by Moody's Deutschland GmbH ("**Moody's**") and BB- by S&P Global Ratings UK Limited ("**S&P UK**"). Moody's is established in the European Economic Area ("**EEA**") and registered under Regulation (EC) № 1060/2009 on credit rating agencies (the "**CRA Regulation**") and S&P is established in the UK and registered under Regulation (EC) № 1060/2009 on credit rating agencies as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings issued by Moody's have been endorsed by Moody's Investors Service Limited ("**Moody's UK**") in accordance with the UK CRA Regulation for use in the UK and the ratings issued by S&P UK have been endorsed by S&P Global Ratings Europe Limited ("**S&P**") in accordance with the CRA Regulation for use in the EEA. Each of Moody's UK and S&P UK is included in the list of credit rating agencies published by the FCA on its website and each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Notes involves risks. See "*Risk Factors*".

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Notes are being offered (i) in offshore transactions in reliance on, and as defined in, Regulation S (the "**Regulation S Notes**") under the Securities Act, and (ii) in the United States only to persons reasonably believed to be qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on Rule 144A (the "**Rule 144A Notes**"). Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes will be offered and sold in registered form and in denominations of €100,000 and integral multiples of €1,000, in excess thereof. The Notes will, on issue, be represented by beneficial interests in two global certificates (the "**Global Certificates**"), one of which (the "**Unrestricted Global Certificate**") will be issued in respect of the Regulation S Notes and the other of which (the "**Restricted Global Certificate**") will be issued in respect of the Rule 144A Notes, and each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Restricted Global Certificate will be subject to certain restrictions on transfer; see "*Transfer Restrictions*". Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Certificates will be made on 14 February 2025 (*i.e.*, the third business day following the date of pricing of the Notes, and such settlement cycle being herein referred to as "T+3") or such later date as may be agreed (such date being referred to herein as the "**Issue Date**") by the Issuer and the Joint Lead Managers. Except in the limited circumstances set out herein, certificates in definitive form will not be issued for beneficial interests in the Global Certificates. See "*The Global Certificates*".

Joint Lead Managers

DEUTSCHE BANK **IMI INTESA SANPAOLO** **J.P. MORGAN** **SOCIETE GENERALE CORPORATE & INVESTMENT BANKING**

This Offering Circular is dated 14 February 2025.

The Republic accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Republic, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular, and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. None of the Joint Lead Managers or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes, and no representation or warranty, express or implied, is made by any of the Joint Lead Managers or their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Joint Lead Managers or their respective directors, affiliates, advisers or agents in any respect.

The Republic has not authorised the making or provision of any representation or information regarding the Republic or the Notes other than as contained in this Offering Circular. Any other representation or information should not be relied upon as having been authorised by the Republic or the Joint Lead Managers. The contents of this Offering Circular are not, are not to be construed as, and should not be relied on as, legal, business or tax advice, and each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Republic and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors, which may be relevant to it in connection with such investment.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Albania of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Republic since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Republic and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular has been prepared by the Republic for use in connection with the offer and sale of the Notes. The Republic and the Joint Lead Managers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook

Conduct of Business Sourcebook (COBS), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"), and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

In this Offering Circular, unless otherwise specified, references to "**Euro**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to "**U.S.$**" and "**U.S. Dollars**" are to U.S. Dollars; references to "**£**" are to Great British Pounds Sterling; and references to "**ALL**" or "**Lek**" are to the lawful currency of Albania.

Statistical data appearing in this Offering Circular has been extracted or compiled from the records, statistics and other official public sources of information in Albania, and has not been independently checked or verified. The Republic has accurately reproduced such information, and as far as the Republic is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. In recent years there have been significant steps taken in Albania to improve the accuracy and reliability of official statistics and to conform statistical methodology to international standards. However, in a transition economy in which there is a substantial amount of unofficial or unreported grey market economic activity, such as the Albanian economy, such statistical data may not accurately reflect current or historic levels of, and trends in, economic activity. In addition, all percentages presented in this Offering Circular are subject to rounding and represent approximate figures.

Information included herein that is identified as being derived from information published by Albania or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Albania. All other information herein with respect to Albania is included herein as a public official statement made on the authority of the Ministry of Finance.

Data Dissemination

The Republic is a subscriber to the International Monetary Fund (the "**IMF**") Enhanced General Data Dissemination System (the "**e-GDDS**"), which is designed to support transparency, encourage statistical development and help create strong synergies between data dissemination and surveillance. The e-GDDs requires subscribing member countries to: (i) commit to using the e-GDDS as a framework for statistical development; (ii) designate a country coordinator; and (iii) prepare metadata that describes (a) current practices in the production and dissemination of official statistics and (b) plans for short- and longer-term improvements in these practices.

Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF's Dissemination Standards Bulletin Board. This website and any information on it are not part of, or incorporated by reference into, this Offering Circular.

In addition, the National Statistical Office of Albania ("**INSTAT**") cooperates with the statistical office of the European Union (the "**EU**"), Eurostat, delivering certain national data to Eurostat on a periodic basis. The methodology used by Albania to produce its GDP and other statistics has been harmonised with concepts and definitions used by EU countries, including the European System of Accounts and the System of National Accounts.

Review and Adjustment of Statistics

The Republic's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. In addition, the statistical data appearing in this Offering Circular have been obtained from public sources and documents, which may not have been prepared in accordance with the standards of, or to the same degree of accuracy as, equivalent statistics produced by the relevant bodies in other countries. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodologies and, consequently, the resulting data may vary from source to source, and there can be no assurance that the statistical data appearing in this Offering Circular are as accurate or as reliable as those published by more developed countries.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Offering Circular are "forward-looking" statements. Statements that are not historical facts, including statements about the Republic's beliefs and expectations, are "forward-looking" statements. These statements are based on the Republic's current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date that they are made, and the Republic undertakes no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to: (i) plans with respect to implementation of economic policy and the pace of economic and legal reforms; (ii) expectations about EU accession; (iii) expectations about the behaviour of the domestic, Eurozone and global economies; (iv) the outlook for inflation, budget deficit, exchange rates, interest rates, foreign investment, foreign relations, trade and fiscal accounts; and (v) estimates of external debt repayment and debt service.

SUITABILITY OF INVESTMENT

Each potential investor in the Notes must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

i. has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

ii. has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

iii. has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

iv. understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

v. is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

ENFORCEABILITY OF JUDGMENTS

The terms and conditions of the Notes (the "**Conditions**"), the Notes and the Agency Agreement (as defined in the Conditions) are governed by English law. The Republic will irrevocably submit to, and accept the jurisdiction of, the International Chamber of Commerce (the "**ICC**"), with respect to any suit, action or proceeding arising out of, or based on, the Notes. In addition, if the conditions set out in Condition 17.3 of the Conditions (and/or the corresponding provisions of the Agency Agreement) are met, the courts of England shall have exclusive jurisdiction to settle any disputes. Recognition of a foreign court decision and a foreign arbitral award in Albania shall be subject to the criteria set out in article 394 of the Albanian Code of Civil Procedure, pursuant to which a foreign court decision will not be recognised if: (i) it was taken by a court acting *ultra vires*; (ii) it was taken in contravention of the principle of the equality of the parties; (iii) it was taken in contravention of the principle of the rights of a party to be heard; (iv) it was taken in contravention to the public order of the Republic of Albania; (v) an Albanian court has already given a different decision on the same dispute between the same parties; or (vi) an Albanian court has already accepted hearing the same dispute between the same parties prior to the foreign court decision taking a *res judicata* force.

The Albanian courts will recognise as valid, and will enforce an arbitral award granted under the Rules of Arbitration of the ICC without re-examination of the merits of the case in accordance with and subject to the provisions of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Albanian law is, however, not clear as regards to the enforceability of foreign court decisions in Albania and the choice of jurisdiction of foreign courts in cases where the Republic is a party. Therefore, the choice of jurisdiction of foreign courts (including English courts) may be held to be invalid by an Albanian court and the submission of the Republic to the exclusive jurisdiction of the English courts might adversely affect the recognition of the judgment by the Albanian courts and it may not be possible to enforce foreign court judgments, including English court judgments, against the Republic without a re-examination of the merits.

The Albanian legislature (the "**Assembly**") has enacted Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 181/2014 of 24 December 2014 and Law № 92/2022 of 22 December 2022. Pursuant to Article 26 of this law, the Minister of Finance of the Republic has the right to waive the sovereign immunity of the Republic in respect of the Notes, subject to certain exceptions. In particular, waivers of sovereign immunity by the Republic are subject to the exception that a court decision may not be enforced against present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961, present or future "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 or otherwise used by a diplomat or diplomatic mission of Albania or any agency or instrumentality thereof or any immovable property which falls under provisions of paragraph 1 to 3 of article 3 of Albanian Law № 8743, dated 22 February 2001 "On the state immovable properties", as amended. In addition, public domain properties of the Republic of Albania (as defined under Albanian law) are immune from enforcement.

EXCHANGE RATES

The following tables set forth, for the periods indicated, the period end, average, high and low official mid-point rates published by the Bank of Albania, expressed in ALL per €1.00 and ALL per U.S.$1.00:

Lek Per Euro

	High	Low	Average[1]	Period End
Year		*(Lek Per Euro)*		
2020	131.06	121.85	123.77	123.70
2021	123.61	120.81	122.46	120.81
2022	122.96	114.93	118.98	114.93
2023	117.46	100.49	108.75	103.88
2024	104.71	98.11	100.75	98.14
For the month of				
January 2025	100.06	98.14	98.51	99.80

Source: Bank of Albania

Note:

(1) The average of the noon-buying rate on each business day during the relevant period.

Lek Per U.S. Dollar

	High	Low	Average[1]	Period End
Year		*(Lek Per U.S.$)*		
2020	118.75	100.66	108.65	100.84
2021	106.91	101.24	103.52	106.86
2022	119.26	107.02	113.04	108.52
2023	111.75	89.61	100.63	93.94
2024	97.06	88.25	93.01	94.04
For the month of				
January 2025	96.31	93.80	95.09	96.14

Source: Bank of Albania

Note:

(1) The average of the noon-buying rate on each business day during the relevant period.

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OVERVIEW

The following is an overview of certain information contained in this Offering Circular. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. Prospective investors should also carefully consider the information set out in the section entitled "*Risk Factors*" in this Offering Circular prior to making an investment decision. See "*The Republic of Albania*", "*The Albanian Economy*", "*Balance of Payments and Foreign Trade*", "*Public Debt*", "*Monetary and Financial System*" and "*Public Finance*" for a more detailed description of the Issuer.

Overview of the Republic

Albania is located in the southwestern region of the Balkan Peninsula in southeastern Europe. Albania shares a border with Greece to the south and southeast, Macedonia to the east, Kosovo to the northeast and Montenegro to the northwest. Western Albania lies along the Adriatic and Ionian Sea coastlines. The Adriatic Sea separates Albania from Italy via the Strait of Otranto. Albania covers an area of 28,748 square kilometres. Its territory is predominantly mountainous but is relatively flat along its coastline with the Adriatic Sea.

Albania is a self-proclaimed secular state, which, pursuant to Article 10 of the Albanian constitution (the "**Constitution**"), allows freedom of religion. According to statistics published by the United Nations Statistics Division in 2013, the predominant religions in Albania are Islam (estimated to comprise 56.7% of the population), including Sunni Islam and members of the Bektashi Order, Roman Catholic (10.0%) and Albanian Orthodox (6.7%).

The Constitution is the highest law in Albania and establishes the basic institutions of a democratic state. The Constitution provides for three branches of government: the legislative branch, the executive branch and the judicial branch. Legislative power is vested in the unicameral Assembly, which consists of 140 members, all of whom serve four-year terms. The executive branch of the Albanian government (the "**Government**") is made up of the Council of Ministers, which is headed by the Prime Minister. The judiciary consists of a Constitutional Court, a Supreme Court and multiple appeal and district courts. The judiciary is currently undergoing a comprehensive and thorough transitional re-evaluation process to increase its transparency, accountability and independence.

Albania's real gross domestic product ("**GDP**") grew year-on-year between 2015 and 2019 and grew 2.1% in 2019. According to IMF projections released before the COVID-19 pandemic, Albania's real GDP was forecasted to grow by 3.5% in 2020 before the twin shocks of the November 2019 Earthquake and the COVID-19 pandemic. Primarily due to these two shocks, according to INSTAT data, real GDP contracted by 3.3% in 2020. Growth has rebounded in recent years. In 2021, Albania's real GDP grew by 9.0%, driven by a strong recovery in the tourism, construction and electricity production markets. In 2022, real GDP grew by 4.8%, primarily driven by domestic demand, both in terms of consumption and investment, as well as net foreign demand. In 2023, real GDP grew by 3.9%, reflecting a strong performance in private consumption, services and construction activity. Increases in tourist arrivals and electricity production in 2023, as compared to 2022, as well as fiscal revenues surpassing budgeted levels, also contributed to GDP growth in 2023. In the six months ended 30 June 2024, real GDP grew by 3.9%, as compared to 3.4% in the corresponding period in 2023. This growth was primarily due to an increase in construction activity and strong performance in the financial and insurance sector, public administration, education and health sectors and the trade, transport, accommodation and food services sectors. The IMF projects real GDP to have grown by 3.6% in 2024 and to grow by 3.5% in each of 2025 and 2026.

Albania's economy is small and thus largely dependent on external trade, particularly imports, leaving it vulnerable to external shocks. In addition, Albania has historically had a current account deficit, reflecting a large trade deficit resulting from its dependence on imported goods, largely financed by private transfers (principally remittances from expatriate workers, particularly in Greece and Italy). Albania's current account deficit between 2019 and 2023 averaged 6.3% of nominal GDP.

Public debt in Albania is comprised of central Government debt and Government-guaranteed debt, both external and domestic, as well as local government domestic debt. Albania's total public debt decreased to an estimated 55.5% of GDP as at 30 September 2024, as compared to 57.5% of GDP as at 31 December 2023.

Total budget sector revenues decreased in 2020, primarily due to the impact of the November 2019 Earthquake and the COVID-19 pandemic on the Albanian economy, before increasing in each of 2021, 2022 and 2023. Total budget sector tax revenues increased by 2.3% in 2019, before decreasing by 7.5% in 2020, and increasing by 19.3% in 2021, 13.8% in 2022 and 10.6% in 2023. In the eleven months ended 30 November 2024, total budget sector revenues increased by 10.3% to ALL 647 billion, as compared to ALL 586.5 billion in the corresponding period in 2023, primarily due to an increase in tax and customs revenues. The overall fiscal deficit was ALL 31.2 billion in 2023 (1.3% of GDP), as compared to ALL 78.2 billion in 2022 (3.7% of GDP), ALL 85.3 billion in 2021 (4.6% of GDP), ALL 110.4 billion in 2020 (6.7% of

GDP) and ALL 31.5 billion in 2019 (1.9% of GDP). In the eleven months ended 30 November 2024, there was an overall cash balance of ALL 71.7 billion, as compared to ALL 37.7 billion in the corresponding period in 2023.

Albania is in the process of applying for full membership of the EU. Since becoming a candidate for EU accession in June 2014, Albania has implemented a wide range of electoral, judicial, administrative and economic reforms to align its laws and government practices with those of the EU, to meet the preconditions for commencement of accession negotiations. In March 2020, the members of the European Council agreed to open accession negotiations with Albania. On 18 July 2022, EU Member States approved the negotiating framework for Albania and accession negotiations began. On 19 July 2022, the EU held its first Intergovernmental Conference with Albania and North Macedonia in Brussels. The European Commission also officially launched its "screening process", constituting the first stage of the accession process, which began on 15 September 2022. The screening process is structured along six thematic clusters covering broad themes related to good governance, internal market, economic competitiveness and connectivity. In June 2023, the European Commission submitted to the EU Council the screening report on the first cluster on "Fundamentals", including benchmarks for opening accession negotiations. A number of screening meetings on other clusters for the screening process took place in 2023, with the screening sessions for all six clusters completed in November 2023. Negotiations of the fundamentals cluster were opened at the second intergovernmental conference held in October 2024 and negotiations of the external relations cluster were opened at the third intergovernmental conference held in December 2024. See "*Risk Factors—Risks relating to the Republic—EU Accession*".

Overview of the Terms and Conditions of the Offering

Capitalised terms not otherwise defined in this overview have the same meaning as in the Conditions. See "Terms and Conditions of the Notes".

Issuer	The Republic of Albania (acting through its Ministry of Finance).
Joint Lead Managers.....	Deutsche Bank Aktiengesellschaft, Intesa Sanpaolo S.p.A., London Branch, J.P. Morgan Securities plc and Société Générale.
Issue Price	98.070% of the principal amount of the Notes.
Notes	€650,000,000 4.750% Notes due 14 February 2035.
Issue Date	14 February 2025.
Maturity Date	14 February 2035.
Interest on the Notes.....	4.750% *per annum*.
Interest Payment Dates.....	The Notes bear interest on their outstanding principal amount from and including 14 February 2025 at the rate of 4.750% *per annum*, payable annually in arrear on 14 February in each year (each an "**Interest Payment Date**"). The first payment (for the period from and including the Issue Date to but excluding 14 February 2026 and amounting to €47.50 per €1,000 principal amount of Notes) shall be made on 14 February 2026. See "*Terms and Conditions of the Notes – 5. Interest*".
Yield.....	As at the Issue Date and on the basis of the issue price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 5.000% *per annum*.
Status	The Notes will constitute direct, general, unconditional and (subject to the provisions of the Negative Pledge) unsecured obligations of the Issuer, which will rank *pari passu,* without preference among themselves, with all other unsecured External Indebtedness of the Issuer, from time-to-time outstanding, *provided, further,* that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*. See "*Terms and Conditions of the Notes – 3. Status*".
Redemption	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on the Maturity Date. See "*Terms and Conditions of the Notes – 7. Redemption and Purchase*".

Negative Pledge..... The Conditions will provide that, so long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any Security Interest, other than a Permitted Security Interest, over any of its property or assets to secure Public External Indebtedness of the Issuer or any guarantee of the Issuer in respect of Public External Indebtedness, unless (i) the Notes are secured equally and rateably with such Public External Indebtedness or (ii) the Notes have the benefit of such other security, guarantee, indemnity or other arrangement as shall be substantially equivalent.

See "*Terms and Conditions of the Notes – 4. Negative Pledge*".

Events of Default ..... The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default.

Holders of not less than 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and repayable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest on the date the Issuer receives such written notice of the declaration.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to such declaration of acceleration is or are cured following any such declaration and that such holders wish the declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the declaration shall be withdrawn and shall have no further effect. No such withdrawal shall affect any other or any subsequent Event of Default or any right of any relevant Noteholder in relation thereto.

See "*Terms and Conditions of the Notes – 10. Events of Default*".

Denominations ..... The Notes will be offered and sold, and may only be transferred, in minimum principal amounts of €100,000 and integral multiples of €1,000, in excess thereof.

Form of Notes..... The Notes will be in registered form, without interest coupons attached.

Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate, and Notes offered and sold in reliance upon Rule 144A will be represented, upon issue, by beneficial interests in the Restricted Global Certificate, each of which will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg.

Except in limited circumstances, certificates for the Notes in definitive form will not be issued to investors in exchange for beneficial interests in the Global Certificates. See "*The Global Certificates*".

Taxation and Additional Amounts..... All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Albania or any political subdivision or any authority thereof or therein having power to tax (collectively, "**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions set out in "*Terms and Conditions of the Notes – 8. Taxation*".

Meetings of Noteholders..... The Conditions contain provisions for calling meetings of Noteholders and, in certain circumstances, holders of other debt securities of the Issuer, to consider matters affecting their interests generally. These provisions permit defined majorities (which may, in certain circumstances, be formed of holders of debt securities of the Issuer other than the Notes) to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See "*Terms and Conditions of the Notes – 13 Meetings of Noteholders; Written Resolutions*".

Modification and Amendment..... The Conditions contain a provision permitting the Notes, the Conditions, the Agency Agreement or the Deed of Covenant to be amended without the consent of the Noteholders to correct a manifest error or to make any modification which is of a formal, minor or technical nature or which is not, in the sole opinion of the Issuer, materially prejudicial to the interests of the Noteholders. See "*Terms and Conditions of the Notes – 13.8. Manifest error, etc.*".

Use of Proceeds..... The net proceeds of the issue of the Notes will be used by the Issuer for general budgetary funds in support of the public and sovereign needs of Albania (*i.e.,* not for a commercial purpose).

See "*Use of Proceeds*".

Ratings..... The Notes are expected to be assigned a rating of Ba3 by Moody's and BB- by S&P UK. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation.

Moody's is established in the EEA and registered under the CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's UK in accordance with the UK CRA Regulation and have not been withdrawn. S&P UK is established in the UK and registered under the UK CRA Regulation. The ratings issued by S&P UK have been endorsed by S&P in accordance with the CRA Regulation and have not been withdrawn.

Listing and Admission to Trading ..... Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market.

Governing Law..... The Notes, the Agency Agreement and the Deed of Covenant (each as defined in the Conditions), and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement and the Deed of Covenant, will be governed by, and construed in accordance with, English law.

Transfer Restrictions.....	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state and other securities laws. See "*Transfer Restrictions*".
Fiscal Agent, Paying Agent and Transfer Agent.....	GLAS Trust Company LLC
Registrar.....	GLAS Trust Company LLC
Security Codes for the Regulation S Notes	ISIN: XS3004338557 Common Code: 300433855 CFI: DBFTFR FISN: MINISTRY OF FIN/EUR NT 20350214 GT
Security Codes for the Rule 144A Notes	ISIN: XS3004338714 Common Code: 300433871 CFI: DBFTFR FISN: MINISTRY OF FIN/EUR NT 20350214 GT The CFI and FISN (as may be updated) will be set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the FISN.

RISK FACTORS

Before making an investment decision, prospective investors should carefully review the specific risk factors described below, in addition to the other information contained in this Offering Circular. The Issuer believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes. The Issuer's results, financial condition and prospects could be materially affected by each of these risks presented. Also, other risks and uncertainties not described herein could affect the Issuer's ability to fulfil its obligations under the Notes. Additional risks and uncertainties not presently known to the Issuer, or that the Issuer currently believes are immaterial, could impair the ability of the Issuer to fulfil its obligations under the Notes. Certain other matters regarding the operations of the Issuer that should be considered before making an investment in the Notes are set out in other sections of this Offering Circular. In this Offering Circular, the most material risk factors have been presented at the beginning in each category.

Risks relating to the Republic

Energy, Food and Water Security Risks

Albania has a variable climate and both drought and flooding can affect it. Unpredictable rainfall may impact Albania's primary sector activities, most notably in the agricultural sector (which accounted for approximately 32.3% of total employment in 2023), as well as its hydropower activities, which, despite ongoing diversification efforts, accounted for almost all of Albania's electricity generation in 2022). Albania's dependence on hydropower for its electricity generation, makes it increasingly vulnerable to unfavourable hydrological conditions in the summer, especially in terms of the anticipated effects of climate change in the Western Balkans region. In addition to the fact that production is not constant, electricity from domestic hydropower is not sufficient to meet current needs and energy imports typically account for 20-30% of demand. Accordingly, guaranteeing the security of electricity supply can be challenging, and Albania is implementing measures to increase investments in renewable energy projects other than hydropower.

Climatic trends and the periodicity of annual rainfall over Albania have affected the economy in the past, particularly the energy sector. In addition, events such as the COVID-19 pandemic and the war in Ukraine have impacted the energy sector. Both state-owned power utility company Korporata Elektroenergjitike Shqiptare ("**KESH**") and state-owned electricity distributor Operatori i Shpërndarjes së Energjisë Elektrike sh.a. ("**OSHEE**") have experienced financial difficulties in prior periods as a result of weather conditions, as well as, in 2020, the impact of the COVID-19 pandemic. Weather conditions and, consequently, production have fluctuated in recent periods, and there have been instances where OSHEE has been forced to purchase energy and fuels on the open market, often at high prices as a result of high global energy prices, exacerbated by impact of the war in Ukraine and the conflict in the Middle East on global commodities prices. Such factors contributed to an increase of energy expenditures by ALL 20.1 billion in 2021, as compared to 2020, and OSHEE realised a net loss of ALL 15.5 billion in 2021. As a result of the Government's interventions in the energy sector in 2022, OSHEE's energy purchase expenses decreased by approximately ALL 9.3 billion and its revenues increased by ALL 8.7 billion in 2022, as compared to 2021, resulting in a net profit of approximately ALL 3.0 billion for 2022. In 2023, OSHEE further improved its performance due to favourable weather conditions, with profit of approximately ALL 5.7 billion, according to preliminary estimates. There can be no assurance, however, that OSHEE and other participants in the Albania energy sector will not suffer periods of losses in the future, whether related to weather, high global commodities prices or otherwise.

In addition, in 2019, the November 2019 Earthquake struck in north-western Albania, which killed 51 people and injured approximately 1,000. Parliament granted Prime Minister Edi Rama state of emergency powers to deal with the earthquake aftermath. The EU office in Albania estimated that approximately 1.9 million people of the total population were affected by the earthquake. The Government estimates that 17,000 people lost their homes as a result of the earthquake. Total damage estimated by the Government amounted to €985 million, with damage to private and public properties of €844 million and other losses of €141 million. According to estimates published in the Post Disaster Needs Assessment in 2020, total recovery needs were €1,076.1 million.

According to the World Bank, Albania is likely to be, in comparison with other countries in Europe and Central Asia, increasingly affected by extreme weather events related to climate change, including floods, storms, droughts, and sea level rises. According to the World Health Organisation, Albania is expected to experience climate change effects, including increases in temperature and decreases in rainfall, especially during the summer months, which may lead to decreased water quality and availability, including for industrial uses, such as hydro-power electricity production. Urban air quality is also expected to decline. The Government has launched, and is participating in, a number of initiatives to adapt to, and mitigate, the effects of climate change (including the passing of a climate change law (consistent with EU legislative efforts) and, in December 2021, Albania was the first Western Balkan country to approve a National Energy and Climate Plan, which sets out renewable energy targets to 2030). There can be no assurance, however, that such efforts

will be successful in mitigating or slowing down the effects of climate change, or that such efforts will be continued and developed.

Accordingly, there can be no assurance that the Republic will not suffer from increasingly adverse weather conditions or more frequent natural disasters, including earthquakes, flooding, droughts and other adverse climatic events, which could, in turn, require emergency or additional Government environmental-related spending and may have social consequences. If adverse climatic events are sustained over a long period, this may in the future have a material adverse effect on the Government's fiscal situation and the Albanian economy, in particular on the energy sector and the companies that operate in that sector.

Albania is a Net Energy Importer

Albania, in common with other importers of energy in Europe has in certain periods faced high domestic energy prices and the risk of supply interruption issues, as a consequence of higher international energy prices. The impact of a higher international price environment on Albania is heightened as Albania is a net importer of energy and is almost entirely dependent on hydropower plants for domestic electricity generation, with little storage capacity. The National Energy Strategy for 2018-2030 targets Albania becoming a net energy exporter by 2030.

Albania experienced sharp increases in energy prices following the termination of COVID-19 pandemic measures, which led to an increase in demand for electricity and oil, as well as the impact on global energy prices of the war in Ukraine, resulted in substantial volatility in financial markets, threats to the global food supply and elevated levels of energy prices. On 6 October 2021, protests were held in Tirana against high prices for electricity, fuel and certain basic food items, including bread and coffee. On 8 October 2021, the Council of Ministers declared an energy state of emergency in relation to the energy crisis, which afforded the Government greater autonomy in the allocation of public funds to mitigate the effects of the energy crisis and the enforcement of energy-related regulation. As a result of the war in Ukraine and the related increase in the price of crude oil and its by-products, the energy state of emergency was extended in October 2022 until 30 June 2023 and again in July 2023 to 31 December 2023, although there has been no further state of emergency declared since such date.

In recent years, the Government has introduced a number of intervening measures aimed at addressing difficulties in the energy sector. For example, on 9 October 2021, the Prime Minister announced measures designed to protect households and small businesses from rising energy prices, including the allocation of a €200 million fund (with half to be disbursed to OSHEE over a period of two years to help alleviate liquidity issues and half to guarantee uninterrupted energy supply and mitigate price rises). On 22 October 2021, a decision of the Council of Ministers was passed to better regulate the relationships among KESH, OSHEE and Albania's transmission system operator, OST SA, ("**OST**") during the state of emergency that was then in place. In March 2022, the Government ordered all cities to turn off lights in public buildings and on the streets, in an attempt to reduce the energy crisis then in place caused by drought and power price spikes as a result of the war in Ukraine. Additional rules and regulations have also been introduced, including Normative Act No. 5 "On some additions to Law 8450, dated 24 February 1999 "On the processing, transportation and trading of oil, gas and their by-products" as amended, was introduced in March 2022 aimed at managing rising prices by determining the wholesale and retail trading price of oil by-products in the Albanian market. KESH, TSO and OSHEE were forced to suspend non-essential investment plans until 15 April 2022. Since June 2022, the Albanian electricity market has operated in accordance with a Council of Ministers decision that requires KESH to supply the "universal service supplier" with amounts needed to fulfil the requirements of universal customers, while the "free trade supplier" is required to sell electricity to cover distribution losses of the distribution operator. Since 1 January 2024, the Albanian Transmission System Operator is obliged to purchase transmission losses through the Albanian Power Exchange. Subsidies totalling 1.3% of GDP were provided to State-owned electricity companies in 2022 to prevent an increase in electricity tariffs and a total of ALL 19.9 billion in subsidies aimed at combating inflated food and energy prices were introduced in 2022 through amendments to the 2022 budget law. Although further energy subsidies were not provided in 2023 and 2024, there can be no assurance further measures will not be implemented.

There is uncertainty regarding the likely impact and duration of the high energy price environment, as well as whether the Government may need to take measures to mitigate the negative effects of high energy prices. Prolonged high energy prices could require additional emergency or Government spending and may have further political and social consequences. All such factors could, in turn, have a material adverse effect on the Albanian economy, in particular, on the energy sector and the companies operating in that sector.

EU Accession

Albania is in the process of applying for full membership of the EU and negotiations for the first cluster ("**Fundamentals**") were opened in October 2024 and the sixth cluster ("**External Relations**") were opened in December 2024. Since becoming a candidate for EU accession in June 2014, Albania has implemented a wide range of electoral, judicial, administrative and economic reforms to align its laws and government practices with those of the EU, to meet

the preconditions for commencement of accession negotiations and otherwise to satisfy the criteria set forth by the European Council in Copenhagen 1993. Such reforms and other actions needed to meet accession criteria include stability of institutions guaranteeing democracy, the rule of law, human rights and respect for, and protection of, minorities; the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the EU; and the ability to take on the obligations of membership, including adherence to the aims of the political, economic and monetary union. In March 2020, the members of the European Council agreed to open accession negotiations with Albania. On 18 July 2022, EU Member States approved the negotiating framework for Albania and accession negotiations began. On 19 July 2022, the EU held its first Intergovernmental Conference with Albania and North Macedonia in Brussels. The European Commission also officially launched its "screening process", constituting the first stage of the accession process, which began on 15 September 2022. The screening process is structured along six thematic clusters covering broad themes related to good governance, internal market, economic competitiveness and connectivity. In June 2023, the European Commission submitted to the EU Council the screening report on the first cluster on "Fundamentals", including benchmarks for opening accession negotiations. A number of screening meetings on other clusters for the screening process took place in 2023, with the screening sessions for all six clusters completed in November 2023. In November 2023, the European Commission approved the Growth Plan for the Western Balkans, which aims to accelerate the socio-economic convergence of the region with the EU in with of EU accession negotiations. In October 2024, the European Commission approved Albania's reform agenda in respect of this growth plan in which the Government commits to socio-economic and other reforms to be taken to encourage growth and convergence with the EU under the Growth Plan for the Western Balkans for the period 2024-2027 (the "**RA 2024-2027**"). Negotiations of the fundamentals cluster were opened at the second intergovernmental conference held in October 2024 and negotiations of the external relations cluster were opened at the third intergovernmental conference held in December 2024.

There can be no assurance as to the length of time that will be required to complete accession negotiations with the EU or that such negotiations will result in Albania successfully becoming a member of the EU.

In particular, all key decisions in respect of Albania's potential accession to the EU will require a positive unanimous decision of all EU Member States. Any increase in anti-enlargement sentiment in the EU, in particular due to the simultaneous application of five other Western Balkan states besides Albania (Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina and Kosovo), any deterioration of economic, fiscal, legal or the security situation in Albania or the region or current or historic debt problems experienced by certain EU member states, or any prospective changes in EU laws, may also cause delays in Albania's accession process.

Albania is also subject to the EU's policies in respect of risks relating to increased global terrorism, including the actions of the so-called "Islamic State", and migration to the EU, which may affect accession negotiations. See "*—Political risks".*

Delays in the EU accession process due to Albania's inability to meet harmonisation criteria or a change in EU entry criteria, or the opposition of, or disputes with EU member states, may adversely impact Albania's economic development.

The War in Ukraine

In February 2022, the Russian Federation commenced war in Ukraine. These actions led the United States, the European Union and the United Kingdom, among others, to impose economic sanctions against Russia, Russian government officials and Russian corporations and financial institutions. The ongoing conflict has had an immediate impact on international capital markets, investor sentiment and commodity prices (including oil and gas, which has led to rising fuel prices and inflation). The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organisations in Russia, severing Russia's largest bank from the U.S. financial system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of Russian banks to financial markets. There remains a risk of escalation and an ongoing impact on geopolitical conditions. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate.

Although Albania's direct exposure to the war in Ukraine is limited, the war in Ukraine has given rise to substantial volatility in international financial markets, threats to the global food supply and elevated levels of energy and other commodity prices, which have, in turn, have caused a global increase in inflation and increased inflation in Albania. See "*—Inflation*". While the long-term effects of the war on Albania's economy remain to be seen, any such geopolitical conflict and fluctuations of global prices could have an adverse effect on economic conditions and growth in Albania and, accordingly, on the ability of Albania to raise funding in the external debt markets in the future

Trade Deficit

Albania's economy is small and thus largely dependent on external trade, particularly imports, leaving it vulnerable to external shocks. Albania's export base remains small, narrow and undiversified, due mainly to a lack of price competitiveness and poor infrastructure.

In addition, Albania has historically had a current account deficit, reflecting a large trade deficit resulting from its dependence on imported goods, largely financed by private transfers (principally remittances from expatriate workers, particularly in Greece and Italy) and FDI, with an increasing services balance in recent years.

The rate of future economic growth and the ability to fund the current account deficit is, accordingly, dependent on maintaining Albania's attractiveness to foreign investors and institutions, as well as continued growth of the tourism industry. Albania is largely reliant on FDI flows in order to finance investment and to drive changes in its economic structure. FDI flows have, accordingly, fluctuated based on the funding levels required for various projects, with FDI primarily concentrated in the tourism and construction sectors. Net FDI was €968.6 million in the nine months ended 30 September 2024 (representing 5.3% of nominal GDP), €1,255.6 million (representing 5.7% of nominal GDP) in 2023, as compared to €1,189.9 million (representing 6.6% of nominal GDP) in 2022, €989.9 million (representing 6.5% of nominal GDP) in 2021, €893.6 million (representing 6.7% of nominal GDP) in 2020 and €1,036.3 million (representing 7.4% of nominal GDP) in 2019, reflecting increases of 5.5% in 2023, 20.2% in 2022 and 10.8% in 2021 and a decrease of 13.8% in 2020.

Albania's ability to attract FDI is based not only on international perceptions of the overall status of structural reforms and economic conditions in Albania, but also perceptions of broader regional stability and economic prospects, as well as global macro-economic conditions more generally. Accordingly, Albania's economy is vulnerable to deterioration in global economic conditions and external shocks, particularly those affecting economic trends in the EU and its other major trading partners. For example, the COVID-19 pandemic, which led to a sharp slowdown in global economic activity in 2020, including by Albania's major trading partners, had a negative impact on Albania's ability to attract FDI. In particular, a significant decline in the economic growth of Albania's trading partners, including Greece, Italy and other EU member states and Türkiye could have an adverse effect on demand for exports from Albania and Albania's balance of trade and, as a result, adversely affect Albania's economic growth. Key factors at present affecting the global economic environment include the timing and size of adjustments in interest rates in the United States and the Eurozone, economic slowdown in China and on-going tensions between Russia and Ukraine and the conflicts in the Middle East region, which have accelerated supply shortages and aggravated inflationary tendencies through rising commodity and energy prices. These factors have caused disruptions in international economies and financial markets, the severity and duration of which is dependent on numerous evolving factors, which are highly uncertain, rapidly changing and difficult to predict. These economic factors could have a material adverse effect on the Albanian economy.

The comparatively high dependency on imports of certain production sectors and levels of consumer demand, coupled with the increase in import prices in recent periods due to the war in Ukraine and global macroeconomic conditions meant that, as at December 2022, imports of goods and services increased by 23.0% in 2022, as compared to 2021, before increasing by a lower rate of 1.7% in 2023, as compared to 2022. In particular, while the Government is targeting greater energy diversification (including through energy production from other renewable sources) Albania's domestic electricity and power production is currently dependent on its hydropower activities. Accordingly, Albania's energy sector is

affected by flooding, droughts and other adverse climatic events, which impact Albania's hydropower activities, and, on occasion, increase Albania's need for, and dependence on, electricity imports. See "*—Energy, Food and Water Security Risks*".

Accordingly, the energy sector, as well as other import-dependent sectors, are vulnerable to global price fluctuations, which could be significant. Any such fluctuations of global prices could have an adverse effect on economic conditions and growth in Albania and, accordingly, on Government finances. See "*—Inflation*".

Budget Deficit

The Government has had a budget deficit in each of the last five years. The budget deficit represented 1.9% of GDP in 2019, 6.7% in 2020, 4.6% in 2021 and 3.7% in 2022, before declining to 1.3% in 2023. The 2024 budget forecasted a budget deficit of 2.4% of GDP, while the 2025 budget forecasts a budget deficit of 2.6% of GDP. In 2023, the Government recorded a positive primary balance of ALL 16.4 billion, as compared to a deficit of ALL 38.6 billion in 2022, ALL 49.5 billion in 2021 and ALL 76.0 billion in 2020. There can be no assurance that the budget deficit will be in line with budgeted levels, or the Government will maintain a positive primary balance, in future years.

Fiscal risks also arise from Albania's pension system, which is financed on a pay-as-you-go basis, whereby state benefits are paid out of contributions from the current workforce and employers.

In addition, any deterioration in financing conditions as a result of market, economic or political factors, which may be outside Albania's control, may adversely affect Albania's ability to implement its economic strategy and reforms and material adversely affect Government finances.

Public Debt and External Funding

Public debt as a percentage of GDP, increased from 65.0% as at 31 December 2019 to 73.9% as at 31 December 2020 and 74.1% as at 31 December 2021, as a result of the November 2019 Earthquake and the COVID-19 pandemic and the resulting increase in public expenditures and declines in GDP. Public debt as a percentage of GDP decreased, however, to 64.1% as at 31 December 2022 and 57.5% as at 31 December 2023, primarily due to GDP growth being higher than net borrowing, as well as due to the exchange rate effect (as a result of the proportion of public debt denominated in Euros and other foreign currencies). The Ministry of Finance aims to continue the downward trajectory of the debt-to-GDP ratio to 45% in compliance with the fiscal rule set out in the organic budget law. Relatively high levels of indebtedness through continued borrowing could negatively impact Albania's credit rating and could have a material adverse effect on the Albanian economy and, as a result, on Albania's capacity to repay principal and make payments of interest on the Notes.

As at 30 September 2024, multilateral and bilateral debt accounted for 41.0% and 16.5% of Albania's external debt, respectively. Albania expects to continue to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by Albania's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to Albania or fund new or existing projects could have a significant adverse effect on the financial position of Albania.

Access to concessional rate or guaranteed funding generally reduces Albania's borrowing costs, as the interest rates in respect of such funding are generally lower than Albania could achieve without such credit support. There can be no assurance, however, that funding at such lower rates will continue to be available in the future. If Albania is unable to obtain such funding in the future or otherwise borrow at an acceptable cost, it could have a material adverse effect on the Albanian economy and finances available to service Albania's existing debt.

Domestic Reform Efforts

Since the overthrow of the Communist government in 1992, Albania has undergone substantial political transformation from a centrally-planned state to an independent free-market and sovereign democracy. In parallel with this transformation, Albania has been pursuing a programme of economic structural reforms with the objective of developing a market-based economy through the privatisation of state enterprises and deregulation and diversification of the economy. While Albania has made substantial progress in developing a functioning market-based economy, establishing economic and institutional infrastructure to a Western European standard (including substantial reform of the legal system "*Risks relating to the Republic—Developing Legal System*") requires further effort and investment over a number of years, and the timing of the completion of such infrastructure is uncertain.

The implementation of needed reforms, including programmes to support further economic growth, development and diversification, depends on significant and sustained political commitment and social consensus in favour of the reforms. Notwithstanding the substantial progress in recent years and Government policies of implementing further reforms and

supporting diversification of the economy, there can be no assurance that the economic and financial initiatives, reforms and policies described in this Offering Circular will continue, will be pursued or commenced, will not be reversed or will achieve their intended aims in a timely manner or at all. In addition, from time-to-time, Albania has experienced political tensions, resulting in parliamentary boycotts by opposition parties of the Assembly, as well as other challenges to the political process and difficulties in reaching consensus. In February 2019, the Democratic Party of Albania (the "**DPA**") and Socialist Movement for Integration ("**SMI**") rescinded all their parliamentary mandates after the Assembly voted against their initiative on the vetting of politicians, with the 2019 municipal elections held without the participation of the DPA or SMI. The DPA and the SMI participated in the most recent parliamentary elections in 2021.

Perceived capacity constraints to economic growth, in particular in the infrastructure and tourist sectors, and the lack of labour force with a sufficient skill set may also impact the Government's ability to implement its reform programme and for such reforms to be successful.

There can be no assurance that the Government will be able to raise sufficient funding to support its reform programme. In particular, certain projects are reliant on obtaining EU or multilateral funding or for PPPs to be entered into. Changes in support from the EU and multilateral bodies, and the ability to enter into PPPs with attractive terms, to fund key reform projects could adversely affect the Albanian economy, if funding is needed to be sourced from elsewhere, or result in projects not being implemented.

If proposed economic, financial and other reforms and policies are not implemented as planned, or there is a change in the political or social consensus relating to such reforms and policies, the growth and development of the Albanian economy could be adversely affected, which could, in turn, have a material adverse effect on Government finances.

Inflation

Inflation, as measured by the consumer price index ("**CPI**"), has fluctuated in recent years and was 1.4% in 2019, 1.6% in 2020, 3.7% in 2021, 7.4% in 2022 and 4.0% in 2023. The decrease in inflation in 2023, as compared to 2022, was primarily due to the implementation (both domestically and internationally) of monetary policy focused on limiting or reducing inflation, which, in turn, led to a reduction in food and energy prices. Annual headline inflation, as measured by the CPI, was 2.1% in 2024, which was below the Bank of Albania's inflation target of 3%.

During 2022 and 2023, global social, health, political and economic events, including the war in Ukraine and the related sanctions imposed on Russia by western and allied governments, as well as the COVID-19 pandemic and its impact on markets and supply chains, gave rise to substantial volatility in financial markets, threats to the global food supply and elevated levels of energy prices, which, in turn, caused a global increase in inflation. In response, the Bank of Albania increased interest rates on five occasions in 2022 and twice in 2023, to 3.25%, the highest level in nine years. Increases to interest rates in Albania were made concurrently with rate increases announced by the European Central Bank ("**ECB**"). In the first three quarters of 2024, inflation has been on a downward trajectory in Albania and globally and, in each of July and November 2024, the Bank of Albania lowered its interest rate by 25 basis points to 2.75%, reflecting this reduction in inflation, as well as positive trends in economic, monetary and financial stability. However, if this downward trend in inflation is not sustained and there is a return to higher global inflation levels, further increases in interest rates can be expected, which may, in turn, lead to a slowdown in the global economy or economic recession. Any such global deterioration in market or economic conditions could, in turn, adversely impact Albania's finances and overall economy.

Inflation rates in Albania remain susceptible to fluctuations in international commodities and energy prices. As a result of the risks and uncertainties in the energy markets, in each of March, July and December 2022, the Government amended the 2022 budget law to, among other things, provide subsidies totalling ALL 19.9 billion, including ALL 1 billion in financial aid for all beneficiaries of the economic assistance and disability scheme, ALL 1.2 billion in financial aid for all public administration employees, ALL 500 million in support to farmers in relation to the cost of wheat, ALL 1.2 billion in support to farmers and the fishing sector in relation to the cost of oil and ALL 0.6 billion in support to the public transport sector in relation to the cost of oil. While each of the 2023 budget law and the 2024 budget law were also amended, such amendments were intended to reallocate unspent capital or to reflect greater than expected revenue collection. There is no guarantee, however, that the Government will not be required to increase subsidies or other support packages or reintroduce certain subsidies to address future events, including any return to high levels of inflation or further increases in commodity prices. Any such measures could negatively impact Government finances and increase the budget deficit. Any prolonged period of high inflation, and resulting increased subsidies or tax reductions to limit the impact of such price increases, may result in slow or stagnant economic growth in Albania, in particular, if combined with slow economic expansion and elevated unemployment levels. Furthermore, against the current background of the ongoing war in Ukraine, changes in U.S. fiscal, monetary and trade policies, including the risk of escalating trade tensions between China and the United States, the conflicts in the Middle East, inflationary pressures could re-emerge and put a drag on global economic activity and on Albania's economy, and, as a result, have a material adverse effect on its ability to repay principal and make payments of interest on the Notes.

Domestic Banking Sector Structural Risks

Reform efforts in the Albanian banking sector in recent years have been focused on measures to reduce non-performing loans ("**NPLs**"), through both write-offs of NPLs and, more recently, credit restructuring operations. Such reform measures have reduced NPLs from the levels recorded following the global financial crisis and Eurozone crisis. As at 31 December 2024, NPLs accounted for 4.2% of the banking sector loan portfolio, as compared to 4.7% as at 31 December 2023, 4.7% of the banking sector loan portfolio as at 31 December 2022, 5.0% as at 31 December 2021 and 5.6% as at 31 December 2020. Further reform efforts will need to continue to focus on the reduction of NPLs. Any reversal in the trend of declining NPLs or other asset quality deterioration could cause banks to fail to be in compliance with applicable regulatory requirements, including capital adequacy requirements. This could, in turn, cause banks to reduce lending activities or result in a loss of depositor confidence in the Albanian banking sector.

In addition, the majority of loans by banks in Albania are in domestic currency, amounting to 53.7% of total loans as at 31 December 2023, while the loans in foreign currencies (primarily Euros) amounted to 46.3% of total loans. This high level of foreign currency lending increases banking sector risks and requires high capital and reserves in order to protect against unfavourable exchange rate movements and the credit risks of unhedged loan portfolios. In particular, the high Euroisation of the banking sector has increased the vulnerability of the banking sector and led the Ministry of Finance, the Bank of Albania and the Albanian Financial Supervisory Authority (the "**AFSA**") to adopt a de-Euroisation policy (the "**de-Euroisation policy**"), with the aim of improving the transmission of monetary policy and reducing risks to financial stability. Measures introduced in furtherance of this de-Euroisation policy include increasing the mandatory reserve rate for foreign currency liabilities (and reducing the mandatory reserve rate for Lek liabilities), increasing the minimum regulatory requirement for the value of liquid assets in foreign currency and raising borrowers' awareness of the risks of foreign currency borrowing. There can be no assurance, however, that this policy or other reform measures will be successful in decreasing the majority of foreign currency lending in the Albanian banking system, which, in turn, may adversely affect Albania's ability to repay principal and make payments of interest on the Notes. In addition, the IMF has noted that Albanian banks have large-borrower and sovereign exposures, which represent sources of risk, as well as the expansion of bank lending to the real estate sector (accounting, according to the IMF's 2024 Article IV Staff Report dated 17 December 2024, for approximately two-thirds of unhedged foreign currency loans). As a result of the high proportion of foreign currency lending, a depreciation of the Lek against the relevant lending currencies could have a material and adverse effect on the credit quality of the loan portfolio of the Albanian banking sector.

As at 31 December 2024, approximately 62.9% of assets in the banking sector were held by majority foreign-owned banks, and the Albanian banking sector was comprised of 11 banks of which five are domestically-owned. While the local Albanian subsidiaries are at present largely self-financing, in the event of increased levels of NPLs or deteriorating economic conditions in Albania, foreign parent banks may decline to provide financing to their subsidiaries in Albania or may be unable to provide such financing, as a result of adverse economic developments or regulatory requirements in their home jurisdictions. Foreign-owned banks may also reduce their loan portfolios or other business activities in a manner which adversely affects Albania, as a result of events unrelated to Albania, including as a result of economic turbulence in the Eurozone and sovereign debt markets, global epidemics or the jurisdictions of their parent banks, as well as the impact of any "contagion" effects, and the resulting impact of these and other factors on the financial condition of the banking group more generally. Such occurrences may result in a reduction in the level or scope of the activities of these banks in Albania or a failure to meet capital adequacy ratios or other regulatory requirements, among other developments. Any or all of these occurrences may negatively affect the Albanian economy and have an adverse effect on Albania's capacity to repay principal and make payments of interest on the Notes.

In 2017 and 2018, a number of EU banks announced their intention to sell their Albanian subsidiaries. In 2018, Veneto Banca was acquired by Intesa SanPaolo Bank, the American Bank of Investment purchased NBG Bank Albania and Societe Generale Bank, Albania was purchased by Hungarian OTP Bank Nyrt. Additionally, in the first quarter of 2019, the shareholders of Credit Bank Albania approved its voluntary liquidation. In 2021, Alpha Bank, one of Greece's four largest banks, agreed to sell its Albanian unit to Hungarian OTP Bank Nyrt. There can be no assurance that further sales will not be completed or that any new market entrants will have appropriate banking experience and meet fit and proper criteria to operate in the Albanian banking market. In addition, any future abrupt exit or change in portfolio by a Eurozone bank or other large bank operating in Albania could adversely affect Albania's foreign exchange and treasury bills market.

In addition, future developments adversely affecting foreign banks with subsidiaries in Albania, may cause volatility in Albania, including local withdrawals from the Albanian subsidiaries of such banks as a result of the actual or perceived weakness of such subsidiaries. The occurrence of any such events would have an adverse effect on Albania's banking system and Albania's economy.

Socio-economic Challenges

Albania faces certain socio-economic challenges, including high levels of emigration, an ageing population and high youth unemployment. While the unemployment rate decreased from 11.5% in 2019 to 10.7% in 2023, these challenges require continuing attention by the Government and were exacerbated by the COVID-19 pandemic. The costs of unemployment both in terms of additional Government spending and reduced tax receipts may further have a negative impact on the Government's finances.

Albania also faces demographic challenges from continued migration and population ageing, which could result in a decline in working age population and, in turn, increasingly affect Albania's growth potential. According to data published by INSTAT and the International Organisation for Migration, emigration from Albania, primarily by professionals due to economic factors, was one of the major reasons for the decline in the population in Albania between the 2001 and the 2011 censuses. Emigration of professionals has continued since 2011.

Albania's pension system is funded on the basis of employee and employer contributions on a "pay-as-you-go" basis. Accordingly, these socio-economic challenges may have a material adverse impact on Albania's pension deficit.

Emerging Market Risks

An investment in an emerging market, such as Albania, is subject to substantially greater risks than an investment in a country with a more developed economy and more developed political and legal systems. These greater risks include economic instability caused by factors such as a narrow export base, reliance on imports of energy and other key inputs, fiscal and current account deficits, risks of terrorism, reliance on FDI, high unemployment and frequent and significant potential changes in the political, economic, social, legal and regulatory environment, as well as the possibility that actions of the current Government may be challenged by future Governments. Accordingly, Albania's economy is vulnerable to the impact of any deterioration in global economic conditions and external shocks, particularly those affecting economic trends in the EU and its other major trading partners. Although significant progress has been made in reforming Albania's economy and political and legal systems since the end of Communist rule in 1992 and in line with Albania's objective to become a full member of the EU, Albania's economy remains characterised by certain attributes, such as concentration in a number of key industries, reliance on imports and FDI, trade and current account deficits and high unemployment, any or all of which may adversely impact Albania's economic stability. In addition, Albania's legal infrastructure and regulatory framework are still developing. Consequently, an investment in Albania carries risks that are not typically associated with investing in more mature markets. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, such investment is appropriate for them. Generally, investments in developing countries, such as Albania, are only suitable for sophisticated investors who can fully appreciate and bear the significance of the risks involved.

Investment in the Notes could also be adversely affected by negative economic or financial developments in other countries, particularly neighbouring and major regional countries (including Greece, Italy and Türkiye). Adverse economic developments in one or more of the countries that comprise Albania's major trading partners (many of which are in the EU, including Greece and Italy), or questions about their ability to repay sovereign debt or the stability of their banking systems, could adversely affect the Albanian economy and Albania's ability to repay principal and make payments of interest on the Notes.

Accuracy and Revision of Official Economic Data

A range of Government ministries, including the Ministry of Finance and the Ministry of Agriculture, as well as Bank of Albania and INSTAT, have prepared the statistical data which appears in this Offering Circular. Certain of these statistics may be more limited in scope, less accurate, reliable or consistent in terms of basis of compilation between various ministries and institutions and published less frequently than is the case for comparable statistics prepared by other countries (particularly existing members of the EU). Consequently, prospective investors in the Notes should be aware that figures relating to Albania's GDP and many other figures cited in this Offering Circular may be subject to some degree of uncertainty. Furthermore, these limitations of statistical information make adequate monitoring of key fiscal and economic indicators more difficult than for other countries.

In addition, while Albania's Public Financial Management Strategy targets timely and more reliable production of statistics and for Government financial statistics and excessive procedure deficit tables to be compliant with EU standards by 2030, standards of accuracy of statistical data may vary from ministry to ministry or authority to authority or from period to period due to the application of different methodologies. In this Offering Circular, data is presented, as applicable, as having been provided by the relevant ministry or authority to which the data is attributed, and no attempt has been made to reconcile such data to data compiled by other ministries or by other organisations, such as the IMF or the World Bank. Albania produces data in accordance with the IMF's e-GDDS. In its assessment of data adequacy for

surveillance in the 2024 Article IV Staff Report 17 December 2024, the IMF noted that the "*Data provision has some shortcomings but is broadly adequate for surveillance. The main shortcomings refer to the real sector statistics and weak inter-institutional cooperation between government agencies.*". The existence of a sizeable unofficial or "grey market" economy in Albania may also affect the accuracy and reliability of Albania's statistical information.

The statistical information presented herein is based on the latest official information currently available from the stated source. The Republic's official financial and economic statistics, included those presented herein, are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Figures presented in this Offering Circular may also be subject to rounding. Prospective investors should also be aware that none of the statistical information in this Offering Circular has been independently verified.

Legal Proceedings and Arbitral Award

There are a number of ongoing investment treaty and other international arbitrations involving Albania. If such proceedings are adversely determined, arbitral awards may be rendered. If such awards are not successfully annulled, challenged or otherwise resisted and they are subsequently enforced, Albania may, in time, face payment obligations.

On 2 April 2021, an ICSID Ad Hoc Committee rejected Albania's annulment proceedings in respect of an arbitral award in favour of two Italian companies, Hydro S.r.l. and Costruzioni S.r.l., and four Italian citizens, Mr. Francesco Becchetti, Mr. Mauro De Renzis, Ms. Stefania Grigolon and Ms. Liliana Condomitti (collectively, the "**Claimants**"). Published reports indicate the arbitral award to be in an amount of €99,487,000, plus interest. The Claimants have commenced proceedings in Albania, Austria, Belgium, England, Italy, the Netherlands and Norway to have the arbitral award recognised and enforced and the Claimants have claimed that they have obtained *ex parte* recognition in several jurisdictions, including England, Italy and France. As with all litigation, there can be no guarantee that the Government will be successful contesting these proceedings and the amount claimed in any jurisdiction may be higher than the amount noted above. If a final, enforceable judgment is or has been issued in any of these jurisdictions or in any other jurisdiction, and if any such judgment is then executed, it may have an adverse effect on the Government and its financial position, which may, in turn, negatively impact the price of the Notes. Furthermore, although the Government intends to vigorously dispute any such proceedings, it is possible that the Claimants may also seek to attach, seize or otherwise assert rights over the proceeds of Albania's capital markets transactions, including the proceeds of the Notes, the scheduled payments under the Notes or other outstanding external debt which may affect the settlement process in relation to any issue of Notes or have a material adverse impact on the price or trading of any issue of Notes in the secondary market.

Impact of Tariffs

On 1 February 2025, the President of the United States signed three executive orders introducing 25% tariffs on the majority of products coming into the United States from Canada and Mexico, as well as higher tariffs on products coming into the United States from China. Unless other agreements are reached, the tariffs on Mexican and Canadian products are expected to take effect in March 2025, while the tariffs on Chinese products became effective 4 February 2025. On 3 February 2025, the President indicated that tariffs on goods imported into the United States from the European Union, and other countries may be imposed. The timing or level of any such tariffs are not yet known. On 4 February 2025, China announced that retaliatory tariffs would be imposed on certain products coming into China from the United States.

Albania's largest trading partners include EU Member States, such as Italy, Germany and Greece. Any deterioration in the economic condition of Albania's trading partners as a result of the imposition of tariffs could have an adverse effect on demand for exports from Albania and on Albania's balance of trade. This, in turn, could adversely affect Albania's economy, either directly or indirectly, for example, by increasing the costs of trading or as a result of an influx of cheaper goods being redirected from the U.S. market, thereby making Albanian goods less competitive both domestically and internationally. In addition, the imposition of tariffs may have an inflationary impact and could impact the strength of the U.S. Dollar against the Euro or the Lek, which could, in turn, negatively impact Albania's economy.

COVID-19 and Future Pandemics

In common with other countries, the Government introduced a number of policies aimed at responding to the spread of COVID-19 in 2020, as well as financial measures aimed at mitigating the potential economic impact of the pandemic. These policies included restrictions on travel, public transport and public gatherings, prolonged workplace closures, curfews and other constraints on commercial activities. The crisis also produced an increase in unemployment. While the impact of the COVID-19 pandemic diminished during 2022 and 2023 and, in May 2023, the World Health Organization declared that COVID-19 was no longer a public health emergency of international concern, it remains possible a new COVID-19 strain or other pandemic could emerge, which could have a significant adverse effect on the global or Albanian

economies. Any future pandemic on the magnitude of the global COVID-19 outbreak could similarly contribute to a significant and prolonged economic disruption.

International and Regional Considerations

Regional and international economic disruptions have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, or the departure of one or more countries from the EU and/or Euro zone, could cause severe stress in the financial system generally and could adversely affect the global financial markets, which could in turn adversely affect the value of investments in Albania, including the Notes.

In addition, monetary and trade policy decisions taken in the United States and other large economies or by the European Central Bank may also have a significant impact on international economic and financial conditions, which may, in turn, have an adverse impact on developing countries, such as Albania. Uncertainty resulting from developments in international trade policy, in particular with respect to international trade between the United States and China, may have a further adverse impact on international economic and financial conditions.

Investors' reactions to events occurring in one emerging market or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by investors. If such a "contagion" effect occurs, Albania could be adversely affected by negative economic, security or financial developments in other emerging market countries or regions. Albania has been adversely affected by "contagion" effects in the past and no assurance can be given that it will not be affected by similar events in the future.

Developing Legal System

Albania has taken, and continues to take, steps aimed at further developing its legal system, working to ensure comparability to the legal systems of EU (EU *acquis*) and other countries. New laws have been introduced, including a law protecting minorities, and revisions have been made with respect to, amongst others, company, property, securities, labour, environmental and taxation laws in order to harmonise these with EU laws. In addition, whilst, since 2016, Albania has introduced certain judicial reforms and has adopted a cross-sectoral justice strategy aimed at enhancing independence, efficiency and accountability, the independence of the judicial system and its immunity from economic and political interference in Albania remain subject to ongoing reform. Accordingly, Albania's legal system remains in transition and is subject to greater risks and uncertainties than a more developed legal system. Such risks include: (i) potential inconsistencies between and among the Constitution and various laws; (ii) Governmental, ministerial and local orders, decisions, resolutions and other acts; (iii) provisions in laws and regulations that are ambiguously worded or lack specificity and raise difficulties when implemented or interpreted; (iv) difficulties in predicting the outcome of judicial application of Albanian legislation; and (v) political or other factors resulting in inconsistent judicial determinations and interpretations or delays in the reform process.

As part of Albania's judicial reform measures, an independent re-evaluation process (or vetting process) of all judges and prosecutors carried out by the Independent Qualification Commission ("**IQC**") in conjunction with the Appeal Chamber and the Institution of Public Commissioners commenced in 2018, with the vetting of members of the Constitutional Court, the President of the High Court and the General Prosecutor. As at 30 November 2024, the vetting process for the 805 judicial staff was complete. However, additional judges and prosecutors may resign, retire or be dismissed in the future. There can be no assurance that sufficient numbers and quality of judges and prosecutors will be available in the short-term to replace those members of the judiciary that have left their posts as a result of the vetting process or any future vetting process. Any failure to fill vacant posts could result in delays to judicial proceedings.

As Albania is a civil law jurisdiction, judicial decisions under Albanian law generally have no precedential value and the courts are generally not bound by earlier court decisions taken under the same or similar circumstances. This may result in an inconsistent application of Albanian legislation to resolve the same or similar disputes. In addition, in some circumstances it may not be possible to obtain swift enforcement of a judgment in Albania or to predict the outcome of legal proceedings. These and other factors may adversely impact economic conditions and the environment for investment in Albania, including the willingness of foreign and other investors to invest in Albania or to provide financing for projects and companies in Albania. Such effects could have an adverse effect on economic conditions and growth in Albania and, accordingly, on the ability of Albania to repay principal and make payments of interest on the Notes.

Corruption Risk

The EU, independent analysts and multinational institutions, such as the IMF, have identified corruption, money laundering and organised crime as concerns in Albania. In the 2023 Transparency International Corruption Perceptions Index, Albania ranked 98th out of 180 countries and territories under review (with the country ranked 1st considered the

least corrupt), which is a slight improvement over the 2022 ranking (of 101st out of 180 countries and territories). By comparison, Montenegro is ranked 63rd, North Macedonia is ranked 76th and Greece is ranked 59h.

In 2022 and 2023, a number of arrests were made, including of two former Government ministers (and members of Parliament), certain secretaries-general and other officials in connection with investigations into alleged abuses of public funds and duty relating to the construction of waste incinerators. Trials in relation to such matters are awaited or ongoing, with certain investigations also ongoing. In addition, in February 2023, a former General Secretary of the Ministry of Finance and two other officials were arrested for alleged abuse of duty in relation to incorrect compensation granted to a citizen in connection with the privatisation of a building. In each of February 2023 and 2024, October 2024 and November 2024, there were protests, led by opposition supporters, in Tirana or blocking roads into Tirana, against alleged corruption. In October 2024, former President, Ilir Meta, was arrested by police for allegations of corruption, money laundering and hiding his wealth.

A number of judicial resignations, retirements and dismissals have resulted from the vetting process being conducted as part of judicial reform measures. The majority of dismissals have been due to the identification of unexplained assets and inability to verify the legality of sources of income. A move to the provision of online public services has reduced corruption levels in public service delivery. As part of judicial reform measures, new institutional architecture has been established, including the Special Prosecutor's Office Against Corruption and Organised Crime (the "**SPO**"), the National Bureau of Investigation (the "**NBI**") and special courts for adjudicating cases of corruption and organised crime. Between 2020 and November 2022, the SPO registered a total of 24 investigations against former high-level public officials for criminal offences of corruption (with 14 investigations passed for trial, two cases dismissed and eight such former officials under investigation). Efforts directed at reducing corruption have primarily targeted high-level corruption cases. Between 2020 and 2022, the final and enforceable decisions for high-level corruption cases of the special courts for adjudicating cases of corruption and organised crime included two cases with final convictions at first instance, four cases with final convictions by appeal judgments, no cases resulting in the acquittal of individuals, four cases of individuals convicted at first instance and nine cases of individuals convicted by appeal judgments. Two special court of appeal decisions are final and have been enforced with respect to the conviction of one former Prosecutor General and one former Minister of Interior.

Allegations, evidence of or charges relating to corruption, money laundering or organised crime involving the Government or members thereof, the judiciary or employees of high-profile companies, regardless of whether such allegations prove to be true, may create tensions between political parties (both governing and in opposition) and among members of the public.

Allegations of corruption are exacerbated by Albania's developing tax collection infrastructure. In addition, corruption, money laundering or organised crime in Albania may have a negative impact on Albania's economy and its reputation abroad, especially on its ability to attract FDI, and may adversely impact progress towards EU accession. A combination of all or some of these factors may lead to negative effects on economic and social conditions in Albania, which may, in turn, lead to a deterioration in public finances and a material adverse effect on the ability of Albania to fund payments on its debt obligations, including the Notes.

Informal Economy

Albania has a large informal economy, which was estimated by academic reports based on INSTAT data to represent approximately 29% of GDP in 2018. This informal economy is not recorded and, despite the introduction of tax reforms targeted at integrating the informal sector, is only partially taxed, resulting in a lack of revenue for the Government, ineffective regulation and monitoring of the overall economy, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate this portion of the economy. The scale of the informal economy also facilitates corruption, money laundering and organised crime. Due to its nature, the size of the informal economy is difficult to measure and any estimates are subject to inherent uncertainty. Although the Government is attempting to address the informal economy, there can be no assurance that such reforms will adequately address the issues and bring the full economy into the formal sector, which could, in turn, have a material adverse effect on the Albanian economy and, accordingly, on the ability of Albania to repay principal and make payments of interest on the Notes.

Credit Ratings

Albania's long-term foreign currency is rated Ba3 (outlook stable) by Moody's and BB- (outlook stable) by S&P. In March 2024, S&P upgraded Albania's long-term foreign currency credit rating by one notch noting that it had "*consistently improved its government balance sheet, despite multiple shocks in recent years*". In October 2024, Moody's upgraded Albania's long-term foreign currency credit rating by one notch, highlighting the improvement in fiscal position, driven by stable economic growth combined with a significant reduction in the fiscal deficit.

There can be no certainty that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. Deterioration in key economic indicators or the materialisation of any of the risks discussed herein may contribute to credit rating downgrades and the ratings assigned by the independent rating agencies may be subject to changes based on future developments. Albania has no obligation to inform the Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to Albania may adversely affect the Albanian economy and the Government's cost of borrowing and, in turn, Albania's ability to repay principal and make payments of interest on the Notes.

Risks relating to an investment in the Notes

Exchange Rate Risks

The Bank of Albania maintains a flexible exchange rate policy, with limited market interventions and whereby the value of the Lek against foreign currencies is generally determined in the market. Accordingly, other than in the limited circumstances where the Bank of Albania intervenes, the ability of the Government and the Bank of Albania to influence fluctuations in the value of the Lek depends on a number of political and economic factors, including the ability to control inflation, the availability of foreign currency reserves and FDI inflows, which are outside of the control of the Government or the Bank of Albania. Albania is also a net importer of goods.

Any significant depreciation of the Lek against the Euro, the U.S. Dollar or other major currencies would increase the costs of imports and Albania's debt service and could have an effect on Albania's ability to repay its debt denominated in foreign currencies, including amounts due in Euros in respect of the Notes. In addition, a significant depreciation of the Lek against the Euro, the U.S. Dollar or other foreign currencies may result in reduced revenues and outflows of capital from the Lek, each of which could have a material adverse effect on the Albanian economy and Government revenues, which, in turn, may adversely affect Albania's ability to repay principal and make payments of interest on the Notes.

The terms of the Notes may be modified or waived without the consent of all the holders of the Notes

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and for the passing of written resolutions of Noteholders without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and Noteholders who voted in a manner contrary to the majority.

The Issuer has outstanding debt securities, and may in the future issue further debt securities, which contain collective action clauses in the same form as the collective action clauses in the conditions of the Notes. Accordingly, the Notes could be capable of aggregation with any such existing and future debt securities, meaning that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of all the relevant aggregated series of debt securities, including the Notes.

Any modification or actions relating to any Reserved Matter (as defined in the Conditions), including in respect of payments and other important terms, may be made (a) to the Notes with the consent of the holders of 75% of the aggregate principal amount of the outstanding Notes and (b) to multiple series of debt securities which may be issued by the Issuer (including the Notes) with the consent of both (i) the holders of at least two thirds of the aggregate principal amount of all outstanding debt securities being aggregated and (ii) the holders of at least 50% in aggregate principal amount of the outstanding debt securities of each series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to any Reserved Matter may be made to multiple series of the Issuer's debt securities (including the Notes) with the consent of 75% of the aggregate principal amount of the outstanding debt securities of all affected series, without requiring a particular percentage of the holders of any individual affected debt securities to vote in favour of or approve any proposed modification or action. Any modification or action proposed by the Issuer may, as the option of the Issuer, be made in respect of certain series of the Issuer's debt securities only and, for the avoidance of

doubt, the collective action provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, among other things, to specify which method or methods of aggregation will be used by the Issuer.

There is, therefore, a risk that the conditions of the Notes may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of or signing a written resolution in respect of an amendment, modification or waiver may be holders of different series of debt securities and, as such, the majority of Noteholders would not necessarily have voted in favour of or signed a written resolution in respect of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation.

The Conditions also contain a provision permitting the Notes and the Conditions to be amended without the consent of the Noteholders to correct a manifest error, or where the modification is of a formal, minor or technical nature or is not materially prejudicial to the interests of the Noteholders.

Any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

The Conditions restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such an Event of Default

The Conditions contain a provision which, if an Event of Default occurs, allows the holders of at least 25% in aggregate principal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes shall become immediately due and payable, at their principal amount with accrued interest, without further action or formality.

The Conditions also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations pursuant to the Conditions and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa

In accordance with Condition 3 (*Status*), the Notes will at all times rank *pari passu* with all other unsecured External Indebtedness of the Republic from time-to-time outstanding. However, the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any other such External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*. Accordingly, the Republic may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured creditors of the Republic as payments fall due.

The Notes have minimum denominations, which may affect an investor's ability to receive definitive Certificates

The Notes have denominations consisting of a minimum denomination of €100,000 plus one or more higher integral multiples of €1,000, and it is possible that Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of €100,000 such that its holding amounts to such a specified denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive certificate in respect of such holding (should certificates in definitive form be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least €100,000.

Credit ratings may not reflect all risks

The Notes are expected to be assigned a rating of Ba3 by Moody's and BB- by S&P UK. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations.

Any adverse change in the credit ratings of the Notes, or of the Republic, could adversely affect the trading price of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended and (b) transitional provisions that apply in certain circumstances.

If the status of a rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the relevant rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

The Conditions are based on current provisions of English law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of the Notes.

A secondary market for the Notes may not develop

The Notes are new securities, which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Republic. Although application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

Furthermore, the Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered pursuant to an exemption from the registration requirements of the Securities Act. Accordingly, the Notes are subject to certain transfer restrictions and will bear a legend regarding those restrictions. See "*Subscription and Sale*" and "*Transfer Restrictions*". These restrictions may limit the ability of investors to resell the Notes.

Investors in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg

The Notes will be represented on issue by the Global Certificates, each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Certificates, investors will not be entitled to receive individual certificates in definitive form in respect of the Notes.

Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

There are risks relating to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros. These include the risk that exchange rates may significantly change (including changes due to a devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euros would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Investors may experience difficulty in enforcing foreign judgments in Albania.

Payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

The Conditions, the Notes and the Agency Agreement are governed by English law. The Republic will irrevocably submit to, and accept the jurisdiction of, the ICC, with respect to any suit, action or proceeding arising out of or based on the Notes. In addition, if the conditions set out in Condition 17.3 of the Conditions (and/or the corresponding provisions of the Agency Agreement) are met, the courts of England shall have exclusive jurisdiction to settle any disputes. Recognition of a foreign court decision and a foreign arbitral award in Albania shall be subject to the criteria set out in article 394 of the Albanian Code of Civil Procedure, pursuant to which a foreign court decision will not be recognised if: (i) it was taken by a court acting *ultra vires*; (ii) it was taken in contravention of the principle of the equality of the parties; (iii) it was taken in contravention of the principle of the rights of a party to be heard; (iv) it was taken in contravention to the public order of the Republic of Albania; (v) an Albanian court has already given a different decision on the same dispute between the same parties; or (vi) an Albanian court has already accepted hearing the same dispute between the same parties prior to the foreign court decision taking a *res judicata* force.

The courts of the Republic of Albania will recognise as valid, and will enforce an arbitral award granted under the Rules of Arbitration of the ICC without re-examination of the merits of the case in accordance with and subject to the provisions of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Albanian law is, however, not clear as regards to the enforceability of foreign court decisions in Albania and the choice of jurisdiction of foreign courts in cases where the Republic is a party. Therefore, the choice of jurisdiction of foreign courts (including English courts) may be held to be invalid by an Albanian court and the submission of the Republic to the exclusive jurisdiction of the English courts might adversely affect the recognition of the judgment by the Albanian courts and it may not be possible to enforce foreign court judgments, including English court judgments, against the Republic without a re-examination of the merits.

The Assembly has enacted Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 181/2014 of 24 December 2014 and Law № 92/2022 of 22 December 2022. Pursuant to Article 26 of this law, the Minister of Finance of the Republic has the right to waive the sovereign immunity of the Republic in respect of the Notes, subject to certain exceptions. In particular, waivers of sovereign immunity by the Republic are subject to the exception that a court decision may not be enforced against present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961, present or future "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 or otherwise used by a diplomat or diplomatic mission of Albania or any agency or instrumentality thereof or any immovable property

which falls under provisions of paragraph 1 to 3 of article 3 of Albanian Law № 8743, dated 22 February 2001 “On the state immovable properties”, as amended. In addition, public domain properties of the Republic of Albania (as defined under Albanian law) are immune from enforcement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The €650,000,000 4.750% Notes due 14 February 2035 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) of the Republic of Albania (the "**Issuer**"), acting through its Ministry of Finance, are issued subject to, and with the benefit of, an Agency Agreement dated 14 February 2025 (such agreement as amended and/or supplemented and/or restated from time-to-time, the "**Agency Agreement**") made among the Issuer, GLAS Trust Company LLC, as registrar (the "**Registrar**"), and GLAS Trust Company LLC, as fiscal agent, paying agent and transfer agent (the "**Fiscal Agent**", the "**Paying Agent**" and the "**Transfer Agent**", and, collectively with the Registrar and any other Paying Agents appointed in respect of the Notes from time-to-time, the "**Agents**"). The holders of the Notes are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated 14 February 2025 and executed by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders (as defined below) at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours upon reasonable request by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Transfer Agents, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") of book entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of €100,000 and integral multiples of €1,000, in excess thereof (referred to as the "**principal amount**" of a Note). A note certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number, which will be recorded on the relevant Certificate and in the relevant Register (as defined below), which the Issuer will procure to be kept by the Registrar.

The Notes are not issuable in bearer form.

1.2 Title

The Registrar will maintain a separate register (each, a "**Register**") in respect of each of the Unrestricted Notes and the Restricted Notes in accordance with the provisions of the Agency Agreement. Title to the Notes passes only by registration in the relevant Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the relevant Register.

For a description of the procedures for transferring title to book entry interests in the Notes, see the Agency Agreement and "Clearing and Settlement Arrangements" below.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to Condition 2.4, be transferred in whole or in part by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any Transfer Agent.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon the transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which commercial banks and foreign exchange markets are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described in "The Global Certificates —Exchange for Certificates", owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and compliance with the legends placed on the Notes as described in "Transfer Restrictions".

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the relevant Register or as specified in the form of transfer.

2.3 Formalities Free of Charge

Registration of a transfer of Notes will be effected without charge by, or on behalf of, the Issuer or any Agent but upon payment by the Noteholder (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges, which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the relevant Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Transfer Agent. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes constitute direct, general, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined below) of the Issuer from time-to-time outstanding, *provided*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

"**External Indebtedness**" means any obligations (other than the Notes) for borrowed monies that are denominated or payable in a currency or by reference to a currency other than the lawful currency of the Issuer, *provided that*, if at any time the lawful currency of the Issuer is the Euro, then any indebtedness denominated or payable, or at the option of the holder thereof payable, in Euro, shall be included in the definition of "External Indebtedness".

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), over any of its property or assets to secure Public External Indebtedness of the Issuer or any guarantee of the Issuer in respect of Public External Indebtedness, unless (i) the Notes are secured equally and rateably with such Public External Indebtedness or (ii) the Notes have the benefit of such other security, guarantee, indemnity or other arrangement as shall be substantially equivalent.

In these Conditions:

"**Permitted Security Interest**" means:

(a) any Security Interest upon property (or any revenues therefrom) to secure Public External Indebtedness incurred for the purpose of financing the acquisition or construction of such property;

(b) any Security Interest existing on any property (or any revenues therefrom) at the time of its acquisition;

(c) any Security Interest securing Public External Indebtedness incurred for the purpose of Project Financing provided that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues;

(d) any Security Interest existing on the original date of issue of the Notes; and

(e) the renewal or extension of any Security Interest described in subparagraphs (a) to (d) above, provided that the principal amount of the original financing secured thereby is not increased.

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property.

"**Public External Indebtedness**" means any External Indebtedness, which is evidenced or represented by bonds, notes or other securities, which are for the time being or are capable of being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"**Security Interest**" means a lien, pledge, mortgage, security interest, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 14 February 2025 at the rate of 4.750% *per annum* (the "**Rate of Interest**"), payable annually in arrear on 14 February in each year (each an "**Interest Payment Date**"). The first payment (for the period from, and including, 14 February 2025 to, but excluding, 14 February 2026 and amounting to €47.50 per €1,000 in principal amount of Notes) shall be made on 14 February 2026.

The period beginning on, and including, 14 February 2025 and ending on, but excluding, the first Interest Payment Date and each successive period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next successive Interest Payment Date is called an "**Interest Period**".

5.2 Interest Accrual

Each Note will cease to bear interest from, and including, its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at the rate referred to in Condition 5.1 until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) the day which is seven days after notice has been given to the Noteholders that the Fiscal Agent or the Paying Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment to the relevant Noteholders under these Conditions).

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period which is shorter than a full year, it shall be calculated by applying the Rate of Interest to each €1,000 principal amount of Notes (the "**Calculation**

Amount") and on the basis of (a) the actual number of days in the period from, and including, the date from which interest begins to accrue (the "**Accrual Date**") to, but excluding, the date on which it falls due, divided by (b) the actual number of days from, and including, the Accrual Date to, but excluding, the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by Euro cheque drawn on a bank that processes payments in Euro mailed by uninsured first class mail or (if posted to an address overseas) airmail to the registered address of the Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the relevant Register at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's "**registered account**" means the Euro account maintained by, or on behalf of, it with a bank that processes payments in Euro, details of which appear on the relevant Register at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined in Condition 6.4 below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's "**registered address**" means its address appearing on the relevant Register at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 8.

6.3 No Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition "**Business Day**" means a day (other than a Saturday or Sunday) on which the Trans-European Automated Real Time Gross Settlement Express Transfer (T2) system is open and on which commercial banks and foreign exchange markets are open for general business in London and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.5 Partial Payments

If the amount of principal or interest that is due on the Notes is not paid in full, the Registrar will annotate the relevant Register with a record of the amount of principal or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or such other relevant authority;

(c) there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in London; and

(d) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 14 February 2035.

7.2 No Other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 7.1 above.

7.3 Purchases

The Issuer may at any time purchase Notes at any price in the open market or otherwise.

7.4 Cancellation

All Notes which are (a) redeemed or (b) purchased by, or on behalf of, the Issuer shall be cancelled and may not be reissued or resold.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by, or on behalf of, the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied collected, withheld or assessed by, or on behalf of, the Republic of Albania or any political subdivision or any authority thereof or therein having power to tax (collectively, "**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts, which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) held by or on behalf of a holder who is liable to such Taxes in respect of such Note by reason of his having some connection with the Republic of Albania other than the mere holding of the Note; or

(b) if such Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days, assuming that day to have been a Business Day (as defined in Condition 6.4).

8.2 Interpretation

In these Conditions "**Relevant Date**" means the date on which the payment first becomes due, but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. PRESCRIPTION

Claims in respect of principal and interest will become prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 8.

10. EVENTS OF DEFAULT

10.1 Declaration of Acceleration

If any of the following events (each an "**Event of Default**") occurs and is continuing:

(a) *Non-payment*: any amount of principal is not paid on the due date for payment thereof or any amount of interest on the Notes is not paid within 15 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer does not perform or comply with any one or more of its other obligations under the Notes, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default has been given to the Issuer or at the specified office of the Fiscal Agent by any Noteholder; or

(c) *Cross-acceleration of the Issuer*:

(i) the holders of any Public External Indebtedness of the Issuer accelerate such Public External Indebtedness or declare such Public External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled required payment), prior to the originally stated maturity thereof; or

(ii) the Issuer fails to pay in full any principal of, or interest on, any Public External Indebtedness when due (after expiration of any originally applicable grace period) or any Guarantee of any Public External Indebtedness given by the Issuer shall not be honoured when due and called upon (after the expiration of any originally applicable grace period);

provided that the aggregate amount of the relevant Public External Indebtedness or Guarantee in respect of which one or more of the events mentioned above in this Condition 10.1(c) shall have occurred equals or exceeds €20,000,000 or its equivalent in other currencies; or

(d) *Moratorium*: the Issuer shall suspend payment of, or admit its inability to pay, its Public External Indebtedness or any part thereof or declare a general moratorium on, or in respect of, its Public External Indebtedness or any part thereof or anything analogous to the foregoing shall occur; or

(e) *Unlawfulness or Invalidity*: the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or any of such obligations shall be or become unenforceable or invalid; or

(f) *International Monetary Fund*: the Issuer ceases to be a member of the International Monetary Fund or ceases to be eligible to use the general resources of the International Monetary Fund; or

(g) *Consents etc.*: any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes, the Agency Agreement or the Deed of Covenant

or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any right or claim of any of the Noteholders in respect of any payment due pursuant to these Conditions,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

In these Conditions, "**Guarantee**" means any guarantee of or indemnity in respect of indebtedness or other like obligation.

10.2 Withdrawal of Declaration of Acceleration

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity and/or security as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the holders (or the first of any joint named holders) at their respective addresses in the relevant Register. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

12.2 Notices to the Issuer

All notices to the Issuer will be valid if sent to the Issuer at the Ministry of Finance of the Republic of Albania, Tirana or such other address as may be notified by the Issuer to the Noteholders in accordance with Condition 12.1.

13. MEETINGS OF NOTEHOLDERS; WRITTEN RESOLUTIONS

13.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Issuer will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 13.9 below) have delivered a written request to the Issuer (with a copy to the Fiscal Agent) setting out the purpose of the meeting. The Issuer will agree the time and place of the meeting. The Issuer will notify the

Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will agree such procedures as are customary in the market in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, *inter alia*:

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the modification record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 13.2 or Condition 13.3 or Condition 13.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 13.6;

(ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 13.1(d) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(f) A "**modification record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

13.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, the Notes, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1 by a majority of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

(c) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

13.3 Multiple Series Aggregation – Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of

each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on all couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under paragraph 13.3(a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.4 Multiple Series Aggregation – Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of:

(i) at least two thirds of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least two thirds of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.5 Reserved Matters

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(f) to change the definition of "Uniformly Applicable";

(g) to change the definition of "outstanding" or to modify the provisions of Condition 13.9;

(h) to change the legal ranking of the Notes;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10.1;

(j) to change the law governing the Notes, the courts or arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17;

(k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 13.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

13.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 13.2, Condition 13.3 or Condition 13.4, the Issuer shall publish in accordance with Condition 14, the following information:

(a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii).

13.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 and 13.4, the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will

be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

13.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement and the Deed of Covenant may be amended by the Issuer without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not in the sole opinion of the Issuer materially prejudicial to the interests of the Noteholders.

13.9 Notes controlled by the Issuer

For the purposes of: (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution; (ii) this Condition 13; and (iii) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(a) "**public sector instrumentality**" means the Bank of Albania, the Albanian Ministry of Finance, any other department, ministry or agency of the government of the Republic of Albania or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Albania or any of the foregoing; and

(b) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall make available to Noteholders a copy of the certificate prepared pursuant to Condition 14.4, which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Issuer shall make any such certificate available for inspection during normal business hours at the specified office of the Fiscal Agent and, upon reasonable request, will allow copies of such certificate to be taken.

13.10 Publication

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.7.

13.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

14. AGGREGATION AGENT; AGGREGATION PROCEDURES

14.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

14.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

14.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

14.4 Certificate

For the purposes of Condition 14.2 and 14.3, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2, Condition 13.3 or Condition 13.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the modification record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 on the modification record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

14.5 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

14.6 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

14.7 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 10, Condition 13, this Condition 14:

(a) on the website of the Albanian Ministry of Finance;

(b) through the systems of Clearstream Banking, S.A. and Euroclear Bank SA/NV and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared;

(c) in such other places and in such other manner as may be required by applicable law or regulation; and

(d) in such other places and in such other manner as may be customary.

15. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. FURTHER ISSUES

The Issuer may from time-to-time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

17. GOVERNING LAW, ARBITRATION AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Notes, the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of, or in connection with, the Notes, the Agency Agreement and the Deed of Covenant, are governed by, and will be construed in accordance with, English law.

17.2 Arbitration

Subject to Condition 17.3, any dispute arising out of, or in connection with, the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligation arising out of, or in connection with, the Notes) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "**Rules**"), which Rules are deemed to be incorporated by reference into this Condition.

(a) The arbitral tribunal shall consist of three arbitrators, each of whom shall be disinterested in the Dispute, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions.

(b) The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, in accordance with the Rules, for confirmation by the ICC Court. If a party or parties fail(s) to nominate an arbitrator, the appointment shall be made by the ICC Court. The third arbitrator, who shall serve as president of the arbitral tribunal, shall be nominated, for confirmation by the ICC Court, by agreement of the two party-nominated arbitrators within 30 days of the nomination of the second arbitrator, or, in default of such agreement, shall be appointed by the ICC Court as soon as possible.

(c) The seat and place of arbitration shall be London, United Kingdom.

(d) The language of the arbitration shall be English.

17.3 Jurisdiction

(a) At any time before any Noteholder has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 17.2, that Noteholder or any other Noteholder, at its sole option, may elect by notice in writing to the Issuer that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in Condition 17.3(b)(iii). Following any such election, no arbitral tribunal shall have jurisdiction in respect of any Dispute(s).

(b) In the event that any Noteholder issues a notice pursuant to Condition 17.3(a), the following provisions shall apply:

(i) subject to Condition 17.3(b)(iii), the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts;

(ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 17.3(b) is for the benefit of the Noteholders only. As a result, and notwithstanding Condition 17.3(b)(i), to the extent allowed by law, each Noteholder may, in respect of any Dispute or Disputes, take (A) proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction; and (B) concurrent Proceedings in any number of jurisdictions.

17.4 Appointment of Process Agent

The Issuer irrevocably appoints the Ambassador of the Republic of Albania to the Court of St. James's currently residing at the Embassy of the Republic of Albania, at 33 St. George's Drive, London SW1V 4DG, United Kingdom or, in his absence, his designate as its agent for service of process in England and agrees that, in the event of such agent being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

17.5 Waiver of Immunity

The Issuer irrevocably and unconditionally with respect to any Dispute: (a) to the extent permitted by law in any jurisdiction and subject as set out below, waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in such jurisdiction; (b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute; and (c) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute, provided, however, that the Issuer does not waive any immunity in respect of: (i) present or future "premises of the mission" as defined in Vienna

Convention on Diplomatic Relations signed in 1961, present or future "consular premises" as defined in Vienna Convention on Consular Relations signed in 1963 or otherwise used by a diplomat or diplomatic mission of Albania or any agency or instrumentality thereof; or (ii) any immovable property which falls under provisions of paragraph 1 to 3 of article 3 of Albanian Law № 8743, dated 22 February 2001 "On the state immovable properties".

17.6 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the International Chamber of Commerce and the English courts and appointed an agent in England for service of process in terms substantially similar to those set out above. In addition, the Issuer has, in such documents, waived any rights to sovereign immunity and other similar defences which it may have, in terms substantially similar to those set out above.

18. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions, which apply to the Notes in respect of which they are issued while they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 8 below.

1. FORM OF THE NOTES

The Regulation S Notes will be represented on issue by the Unrestricted Global Certificate, and the Rule 144A Notes will be represented on issue by the Restricted Global Certificate, each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear and Clearstream, Luxembourg.

Beneficial interests in a Global Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. The Global Certificates will each have an ISIN and a Common Code. Beneficial interests in the Restricted Global Certificate (and any individual Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of each such Certificate, as set out therein and under "*Transfer Restrictions*".

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificates will not be entitled to receive physical delivery of individual certificates in definitive form.

Book-entry interests in the Restricted Global Certificate ("**restricted book-entry interests**") may be transferred to a person who takes delivery in the form of book-entry interests in the Unrestricted Global Certificate ("**unrestricted book-entry interests**") only upon delivery by the transferor of a written certification (in the form provided in the Agency Agreement) to the effect that the transfer is made in accordance with Regulation S and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any book-entry interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Certificate will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in the other Global Certificate, and accordingly, will thereafter be subject to all transfers, if any, and other procedures applicable to book-entry interest in that other Global Certificate for as long as that person retains the book-entry interests.

2. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each, an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Republic, solely in the nominee for the clearing systems named in the relevant Register (the "**Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Nominee.

3. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Republic will be effected by reduction in the aggregate principal amount of the Notes in the relevant Register and by the annotation of the appropriate schedule to the relevant Global Certificate.

4. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to, or to the order of, the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Global Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

5. INTEREST CALCULATION

For so long as Notes are evidenced by a Global Certificate, interest payable to the Nominee will be calculated by applying the Rate of Interest to the outstanding principal amount of the Notes evidenced by the relevant Global Certificate and on the basis of (a) the actual number of days in the period from, and including, the Accrual Date to, but excluding, the date on which it falls due, divided by (b) the actual number of days from, and including, the Accrual Date to, but excluding, the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent (half a cent being rounded upwards).

6. NOTICES

So long as the Notes are represented by a Global Certificate or Global Certificates and such Global Certificate(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*) except that, so long as the Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and Clearstream, Luxembourg as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear or Clearstream, Luxembourg, as applicable, in accordance with its standard rules and procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

7. REGISTRATION OF TITLE

The Registrar will not register title to the Notes in a name other than that of the Nominee for a period of seven calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

8. EXCHANGE FOR CERTIFICATES

Exchange

The Restricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual Certificates ("**Restricted Certificates**"), and the Unrestricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual Certificates (the "**Unrestricted Certificates**" and, together with the Restricted Certificates, the "**Certificates**") upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

(a) circumstances described in Condition 10 (*Events of Default*) have occurred; or

(b) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so and no successor or alternative clearing system is available; or

provided that, in the case of any exchange pursuant to (b) above, the holder has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange.

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate principal amount of duly executed Certificates in or substantially in the form set out in the Agency Agreement.

Delivery

In such circumstances, the relevant Global Certificate shall be exchanged in full for Certificates and the Republic will, at the cost of the Republic (but against such indemnity and/or security as the Registrar or Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Republic and the Registrar may require to complete, execute and deliver such Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Restricted Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

Upon the transfer, exchange or replacement of a Restricted Certificate bearing the legend referred to under "*Transfer Restrictions*" below, or upon specific request for removal of the legend on a Restricted Certificate, the Republic will deliver only Restricted Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Republic and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Republic that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the Securities Act.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Republic for general budgetary funds in support of the public and sovereign needs of Albania (*i.e.*, not for a commercial purpose).

THE REPUBLIC OF ALBANIA

Area and Population

Albania is located in the southwestern region of the Balkan Peninsula in south-eastern Europe. Albania shares a border with Greece to the south and southeast, North Macedonia to the east, Kosovo to the northeast and Montenegro to the northwest. Western Albania lies along the Adriatic and Ionian Sea coastlines. The Adriatic Sea separates Albania from Italy via the Strait of Otranto. Albania covers an area of 28,748 square kilometres. Its territory is predominantly mountainous but is relatively flat along its coastline with the Adriatic Sea. Albania's primary seaport is Durres, through which, in 2023, 95.0% of Albania's maritime cargo was transported. The capital city of Albania is Tirana, which is located in the central area of the country.

According to data from the 2023 national census (the most recently completed national census) (the "**2023 Census**"), as at 18 September 2023, the population of Albania was 2.4 million, of which approximately one third lived in the Tirana prefecture. According to the 2023 Census, the ethnic composition of the population was predominantly ethnic Albanian (estimated to comprise 91.0% of the population), with ethnic Greeks making up the next largest group (1.0%). Albanian is the official language of Albania.

Fertility rates have, since 2001, been below the population replacement rate. However, according to the 2023 Census, since 2011, Albania's population was characterised by positive natural growth until the effects of the COVID-19 pandemic resulted in the number of deaths exceeding the number of births during 2020-2022. According to the same source, the declining population continues the trend seen since 1990, primarily caused by emigration. The 2023 Census notes that, since 2011, the overall migration trend has remained consistent, with an average of 50,000 emigrants per year. According to statistics published by INSTAT, there were 46,460 emigrants in 2022, as compared to 42,048 emigrants in 2021. According to data from the civil register, during 2023, there was a total of 24,000 births and 22,000 deaths, marking a return to population growth. See "*Risk Factors—Risks relating to the Republic—Socio-economic Challenges*".

Albania is a self-proclaimed secular state, which, pursuant to Article 10 of the Constitution, allows freedom of religion. According to data from the 2023 Census, the predominant religions in Albania are Islam (estimated to comprise 50.7% of the population), including Sunni Islam and members of the Bektashi Order, Roman Catholic (8.4%) and Albanian Orthodox (7.2%).

History

Albanians descend from a non-Slavic, non-Turkish group of tribes known as Illyrians who arrived in the Balkans around 2000 B.C. After falling under Roman authority in 165 B.C., Albania has had only brief periods of self-rule.

Following the division of the Roman Empire in 395 A.D., the Byzantine Empire established control over present-day Albania. In the 11th century, Byzantine Emperor Alexius I Comnenus made the first-recorded reference to a distinct area of land known as Albania and to its people.

The Ottoman Empire ruled Albania from 1385 to 1912. During this time, most of the population converted to Islam; others emigrated to Italy, Greece, Egypt and Türkiye. Although its control was briefly disrupted by a revolt between 1443 and 1478, which was led by Albania's national hero Gjergj Kastriot Skenderbeu, Ottoman rule was in place for centuries.

Albania declared its independence from the Ottoman Empire in 1912 but fell under Italian control in 1939. Communist partisans took over the country in 1944. Albania was ruled by Enver Hoxha as a totalitarian Communist regime from the end of World War II until Hoxha's death in 1985. During the period of Hoxha's rule, Albania first formed an alliance with the Soviet Union until 1960 and later with China until 1978. Between 1978 and the 1990s, the Communist regime applied the principles of self-reliance and isolationism, which included the prohibition of foreign loans and foreign investment.

In the early 1990s, Albania put an end to 46 years of isolationist Communist rule and established a multi-party democracy. The then-government introduced certain liberalisation measures, including granting the freedom to travel abroad in 1990, and made efforts to improve ties with foreign countries. The former Communists remained in power following elections in March 1991, but a general strike and opposition movement led to the formation of a coalition cabinet that included non-Communists. In March 1992, Sali Berisha, leader of the right-wing DPA, was elected as the first non-Communist president of Albania since World War II. The defeat of the Communists caused economic collapse and social unrest, but the newly-elected Government introduced reforms, which marked the start of Albania's transition to a market economy. In 1996 and 1997, the rise and collapse of several large financial pyramid schemes led to riots throughout Albania, and a United Nations military peacekeeping mission led by Italy was sent to stabilise the country. Following legislative elections in 1997, the Albanian Socialist Party (the "**SPA**") came to power, governing for eight years. Between 2005 and 2013, the

DPA returned to power (including through a DPA-led coalition governing in June 2009, for the coalition known as the "Alliance for Change"). Since September 2013, Edi Rama, leader of the SPA, has served as Prime Minister.

In April 2009, Albania became a member of the North Atlantic Treaty Organization ("**NATO**"). See "*—International Relations—NATO*".

Prior to the 2013 elections, two major coalitions were formed: the "Alliance for a European Albania" (a coalition of 37 opposition parties varying from the far-left to the far-right, led by Edi Rama, the then-leader of the opposition and leader of the SPA) and the "Alliance for Employment, Prosperity and Integration" (a coalition of 25 centrists and centre-right parties, led by Sali Berisha, the then-Prime Minister). In the June 2013 parliamentary elections, the left-wing coalition "Alliance for a European Albania" led by Edi Rama's SPA came to power.

In June 2014, Albania was granted EU candidate status. See "*—International Relations—European Union*".

In February 2019, the DPA and SMI rescinded all their parliamentary mandates after the Assembly voted against their initiative on the vetting of politicians. The Albanian Central Election Commission (the "**CEC**") passed the vacant seats to the remaining registered candidates, in accordance with the law. The 2019 municipal elections were subsequently held without the participation of the DPA or SMI. The DPA and the SMI participated in the 2021 parliamentary elections.

On 26 November 2019, north-western Albania was struck by a 6.4-magnitude earthquake, which killed 51 people and injured approximately 1,000. The Assembly granted Prime Minister Edi Rama state of emergency powers to deal with earthquake aftermath. The EU office in Albania estimates that approximately 1.9 million people were affected by the November 2019 Earthquake. The Government estimates that 17,000 people lost their homes as a result of the November 2019 Earthquake. Total damage has been estimated by the Government to amount to €985 million, with damage to private and public properties of €844 million and other losses of €141 million. According to estimates published in the Post Disaster Needs Assessment in 2020, total recovery needs were €1.1 billion.

In March 2020, upon the positive recommendation of the European Commission, the Council for the European Union opened accession negotiations with Albania.

On 13 October 2017, the Electoral Reform Commission was established with the primary objective to amend and update the electoral code to incorporate recommendations made by the Organisation for Security and Cooperation in Europe (the "**OSCE**") and Office for Democratic Institutions and Human Rights ("**ODIHR**") in respect of the elections held in 2013, 2015, 2017 and (subsequently) the 2019 local elections. In June 2020, the SPA and the parliamentary and extra-parliamentary opposition parties reached a breakthrough political agreement on electoral reform, which brought the opposition parties back into the political process. The Electoral Reform Commission proposed amendments to the electoral code and, on 23 July 2020, a number of amendments to the electoral code were adopted. See "*—Government Structure and Recent Developments—Electoral Reform*".

On 30 July 2020, constitutional amendments were made to introduce preferential voting, whereby individual voters are able to rank the candidates in order of preference. Parliamentary elections took place on 25 April 2021 during the COVID-19 pandemic and the SPA won 48.7% of the vote, the DPA 39.4% and the SMI 6.8%, with the remainder split among small parties. For the first time, an electronic voter identification system operated in all voting centres on election day. The CEC announced voter turnout at 46.3%. The Assembly approved Prime Minister Edi Rama's proposed Council of Ministers and Government programme on 17 September 2021. See "*—Government Structure and Recent Developments—Current Government*".

On 9 June 2021, the Assembly voted to impeach President Meta, for alleged violations of the constitution ahead of the 2021 parliamentary elections. However, on 17 February 2022, the Constitutional Court overturned President Meta's impeachment, asserting that the evidence against President Meta did not amount to a grave violation of the Constitution.

In June 2022, Bajram Begaj was elected as President by the Assembly following three rounds of voting in which no other candidates were nominated. President Begaj was sworn in on 24 July 2022.

On 18 July 2022, EU Member States approved the negotiating framework for Albania, and accession negotiations began.

On 19 July 2022, the EU held its first Intergovernmental Conference with Albania and North Macedonia in Brussels. The European Commission also officially launched its "screening process", constituting the first stage of the accession process, which began on 15 September 2022. The screening process is structured along six thematic clusters covering broad themes related to good governance, internal market, economic competitiveness and connectivity. In June 2023, the European Commission submitted to the EU Council the screening report on the first cluster on "Fundamentals", including benchmarks for opening accession negotiations. A number of screening meetings on other clusters for the screening

process took place in 2023, with the screening sessions for all six clusters completed in November 2023. Negotiations of the fundamentals cluster were opened at the second intergovernmental conference held in October 2024 and negotiations of the external relations cluster were opened at the third intergovernmental conference held in December 2024. See "*Risk Factors—Risks relating to the Republic—EU Accession*".

Government Structure and Recent Developments

Political System

Albania is a parliamentary republic based on the separation and balancing of legislative, executive and judicial powers.

Constitution

The current Constitution was approved by the Assembly on 21 August 1998, and was ratified by referendum on 22 November 1998, with almost 90.0% of votes cast in favour.

The Constitution is the highest law in Albania and establishes the basic institutions of a democratic state. The Constitution provides for three branches of government: the legislative branch, the executive branch and the judicial branch. The Constitution provides that the official language of Albania is Albanian. The Constitution also guarantees, among other rights: (i) freedom of expression; (ii) freedom of conscience and of religion; (iii) the right not to be subjected to torture or cruel, inhuman or degrading punishment or treatment; (iv) the presumption of innocence; (v) the rights of the accused; (vi) the right to vote; (vii) the right to healthcare; and (viii) the right to education.

Since its adoption in 1998, the Constitution has been amended on seven occasions most recently on 30 July 2020, when constitutional amendments were made to introduce preferential voting. Pursuant to these changes, candidates are presented for electoral zones (by either political parties, coalitions, voters or candidates) and voters rank candidates from a multi-name list in order of preference. See "*—Electoral Reform*", "*—Judiciary*" and "*—Judicial Reform*". In January 2022, amendments were introduced to extend the constitutional mandate of the judicial vetting institutions (the IQC and PC) until December 2024.

Legislature

Legislative power is vested in the unicameral Assembly, which consists of 140 members, all of whom serve four-year terms and are elected on the basis of a proportional system with multi-name lists for each electoral zone corresponding to Albania's 12 counties. Although most legislation is passed by a simple majority of the Assembly, legislation regarding constitutional amendments and certain fundamental matters require a three-fifths majority.

Executive

The President is the Head of State and serves as Commander-in-Chief of the Army and Chair of the National Security Council. The President is elected by the Assembly. The President's duties include, among other matters, addressing the Assembly, granting pardons and citizenship, giving military decorations and titles of honour and appointing and withdrawing Albania's diplomatic representatives to other states and international organisations. Although the vast majority of executive powers are vested in the Government, the Constitution gives the President the authority to appoint and dismiss certain high-ranking civil servants in the executive and judicial branches (including, judges of the Supreme Court and three members of the Constitutional Court). The President is elected by a majority of votes of the Assembly for a five-year term and may be re-elected for one further five-year term.

On 9 June 2021, the Assembly, by 104 votes in favour to seven votes against, with three abstentions and one invalid ballot, voted to impeach President Meta, for alleged violations of the Constitution ahead of the 2021 parliamentary elections. However, on 17 February 2022, the Constitutional Court overturned President Meta's impeachment, asserting that the evidence against him did not amount to a grave violation of the Constitution. In June 2022, Bajram Begaj was elected as President by the Assembly, following three rounds of voting in which no other candidates were nominated.

The executive branch of the Government is made up of the Council of Ministers, which is headed by the Prime Minister. The Council of Ministers comprises the Prime Minister, the Deputy Prime Minister and ministers of the Government (currently 17 ministers). A seventeenth ministerial portfolio, the State Minister for Public Administration and Anti-Corruption, was established in January 2024. The Council of Ministers exercises every state function that is not given to other organs of state power or to local government, and is responsible for defining the principal directions of Albania's general state policy, both domestic and foreign. Pursuant to Article 96 of the Constitution, the Prime Minister is appointed by the President on the proposal of the party or coalition of parties that has the majority of seats in the Assembly. The appointment is subsequently approved by a simple majority of all members of the Assembly. Members of the Council of

Ministers are nominated by the Prime Minister, approved by a decree of the President and then finally approved by the Assembly.

In furtherance of women's rights, coordinators for gender issues have been appointed in all line ministries. Matters of gender equality are overseen by the National Council on Gender Equality. There are currently nine female ministers in the 17 member cabinet.

Judiciary

Albania has a civil law system. The court structure consists of a Constitutional Court (which sits outside of the judicial architecture and is reserved for the review of the constitutionality of legislation), a Supreme Court and multiple appeal, first instance and special courts. Reorganisation of the court system, merging several courts of first instance and appeal courts began in February 2023 with the aim of enhancing the overall efficiency of the court system, quick access to the judicial system and a balanced distribution of the workload between courts and judges.

The Constitutional Court is comprised of nine members for a single nine-year term. Three members are appointed by the President, three members are elected by the Assembly and three members are elected by the High Court based on a ranking conducted by the Judicial Appointment Council. The mandates of one third of the members of the Constitutional Court end, and new members are appointed, every three years. The Constitutional Court interprets the Constitution, determines the constitutionality of laws and resolves constitutional disputes.

The Supreme Court is the highest court in the judicial system, and is currently composed of 16 judges. Judges of the Supreme Court are appointed by the President upon the proposal of the High Judicial Council for a single nine-year term.

The High Judicial Council is responsible for ensuring the independence, accountability and the functioning of the judiciary. The High Judicial Council consists of 11 members, six judicial members are elected by judges of all levels and five members are elected by the Assembly, from the ranks of non-judicial lawyers.

The remaining courts are divided into three jurisdictions: criminal, civil and military. There are no jury trials under the Albanian justice system, and judgments and sentences are rendered by judges.

Special courts are also competent to adjudicate on matters relating to corruption and organised crime, as well as criminal charges against the President of the Republic, Speaker of the Assembly, Prime Minister and various other senior political and judicial figures.

Judicial Reform

The judiciary of Albania has been undergoing a comprehensive and thorough transitional re-evaluation process to increase its transparency, accountability and independence. In July 2016, after 18 months of technical and political work and intensive negotiations, the Assembly approved amendments to the Constitution aimed at overhauling the governing bodies of Albania's judiciary and improving the efficiency and independence of the judicial system. The amendments primarily covered three key areas: (i) the introduction of a re-evaluation process (or vetting process) of all judges and prosecutors; (ii) the establishment of a special court and prosecution office to judge, investigate and prosecute high officials in cases of corruption and criminal charges relating to organised crime; and (iii) the establishment of a governance system for the judiciary, including a High Judicial Council, a High Prosecutorial Council and the High Justice Inspectorate.

The judicial reform process has resulted in the modification of existing institutions, as well as the creation of new institutions. Following the adoption of the constitutional amendments in 2016, the following new judicial institutions were created: (i) High Judicial Council (aimed at monitoring the independence, accountability and good functioning of the judiciary, with six members elected by members of the judiciary and five members appointed by the Assembly); (ii) High Prosecutorial Council (aimed at monitoring the independence, accountability and good functioning of prosecutors in Albania, with six members elected by members of the judiciary and five members appointed by the Assembly); (iii) High Justice Inspectorate (responsible for the verification of complaints, the investigation of violations and the initiation of disciplinary proceedings against judges and prosecutors; the High Justice Inspector is nominated by a three-fifths majority of the Assembly); (iv) Justice Appointments Council (established as an independent organ tasked with verifying the legal and moral qualifications of judicial candidates, consisting of nine members drawn by lot from judges and prosecutors); (v) the SPO (which represents the State in cases against individuals charged with corruption, organised crime and other criminal cases) and which formally began operations on 19 December 2019, following the appointment of eight prosecutors (since increased to 20 prosecutors); (vi) Court Against Corruption and Organised Crime; (vii) the NBI (which assists the Special Prosecution in investigating crimes of corruption and organised crime, as well as crimes committed by a list of officials set out in the Constitution (including, the President, the Speaker of the Assembly, the Prime Minister, members of the Council of Ministers and certain other officials) and other Special Investigation Units

and includes two criminal justice experts appointed by the EU as members and a Director appointed by the SPO); and (viii) re-evaluation institutions.

Other initiatives have been, and continue to be, introduced in parallel to improve the courts' efficiency (including reforming court fees and introducing electronic operational case management), reduce backlogs, improve the enforcement of contracts and strengthen property rights (including property right protections for non-residents).

Budgetary allocations have been made to support justice reform, with new employees, made up of judges, prosecutors and administrative staff, added to the judiciary and the salaries of judges and prosecutors is on average higher compared to 2016, with the prosecutors and judges of the SPO being the highest paid officials in the country.

In its "Key Findings of the 2024 Report on Albania", the European Commission concluded that "*[i]mplementation of the cross-country Justice Strategy 2021-2025 still needs to be improved. The quality of the strategy and its monitoring are generally satisfactory. However, the implementation rate and reporting capacity of the competent judicial institutions are still low*". See "*Risk Factors—Risks relating to the Republic—EU Accession*".

Vetting Process

Pursuant to the constitutional amendments adopted in 2016, a commission of first instance with an initial five-year mandate, the IQC, and a specialised chamber to hear appeals (the "**Appeal Chamber**"), each a specialised institution external to the ordinary court system, were established to carry out the vetting process. The IQC and the Appeal Chamber are, in turn, monitored by an international monitoring operation (the "**International Monitoring Operation**") composed of judges and prosecutors selected by different EU Member States. The vetting process comprises three main components: (i) an asset assessment, comprising an overall audit of the legitimacy of the judge's or prosecutor's assets; (ii) a background assessment, comprising an evaluation of whether the judge or prosecutor has links to organised crime; and (iii) a proficiency assessment, comprising an evaluation of the judge's or prosecutor's relevant skills. The vetting process began in January 2018 with the Constitutional Court, the President of the High Court and the General Prosecutor, with vetting of the remaining members of the judiciary, continuing through 2024, resulting in a number of resignations and dismissals. Of the vetting cases decisions as at 31 October 2024, 283 were dismissals, 344 were confirmations in office, 167 were decisions to terminate the vetting process and four were suspension proceedings. Decisions terminating the appointment of judges and prosecutors have been primarily as a result of the identification of unexplained assets and sources of funds. The constitutional mandate of the Appeal Chamber is due to expire in June 2026. As a result of the vetting process and dismissal rate, amendments to laws relating to judicial reform have been made in order to address identified shortcomings. Albanian authorities are implementing a re-distribution plan, which is aimed at addressing the vacancies that have arisen across the judiciary. See "*Risk Factors—Risks relating to the Republic—Corruption Risk*" and "*Risk Factors—Risks relating to the Republic—Developing Legal System*".

Intersectoral Strategy Against Corruption 2024-2030

In January 2024, the ministerial portfolio of Minister of State for Public Administration and Anti-Corruption, responsible for exercising the competencies of the National Anti-Corruption Coordinator, was established.

Since 2015, Albania has been implementing an Intersectoral Strategy Against Corruption ("**ISAC**"). ISAC was extended by a Council of Ministers decision until 2023. On 4 November 2024, the Intersectoral Anti-Corruption Strategy 2024-2030 was distributed for final feedback to all implementing institutions, following the successful conclusion of a public consultation process. The Intersectoral Strategy Against Corruption 2024-2030, aims to: (i) strengthen reforms in the field of the rule of law; (ii) enhance the effectiveness of anti-corruption mechanisms; (iii) expand anti-corruption measures; (iv) address all commitments undertaken within the framework of negotiations with the EU, by incorporating all obligations outlined in the rule of law roadmap; (v) address obligations stemming from the United Nations Convention against Corruption and other binding instruments at the regional level, such as the conventions of the Council of Europe; (vi) address the recommendations of international monitoring mechanisms; and (vii) reflect the achievements and lessons learned from the implementation of the ISAC.

Pursuant to the Intersectoral Anti-Corruption Strategy 2024-2030, the Government plans to: (i) adopt a targeted sectoral approach to address corruption risks in sectors such as property, taxation and customs, healthcare, public contracts (procurement and concessions), and education, in line with the Albanian 2023 Progress Report of the European Commission; (ii) harmonise legislation with EU standards; (iii) strengthen corruption prevention mechanisms in local governance (iv) include the private sector in the fight against corruption and the promotion of integrity (v) proactive education of youth on integrity and legality (vi) strengthen law enforcement structures to establish a solid track record of investigation (vii) strengthen institutional coordination in the fight against corruption; (viii) increase the participation of civil society and academia in policy-making and monitoring in the fight against corruption; and (ix) enhance citizen's trust and public awareness in the fight against corruption.

Current Government

The main political parties in Albania are the SPA, the DPA, the SMI, the Albanian Republican Party, the Justice and Integration Party, the Demo-Christian Party, the Union for Human Rights Party, the New Democracy Party, the Social Democratic Party and the Social Democracy Party.

The most recent elections for the Assembly were held in April 2021, in which the SPA won 74 seats and the mandate to form a government without the need to form a coalition. The CEC registered ten political parties and two coalitions to contest the 2021 parliamentary elections nationwide, and five independent candidates to contest in five districts.

The following table sets forth the results of the 2021 elections.

Results of the 2021 Assembly Elections

	Number of Seats	**Percentage of Seats**
		(%)
Socialist Party (SPA)	74	48.7
Democratic Party "Alliance for Change" (DPA)	59	39.4
Socialist Movement for Integration (SMI)	4	6.8
Social Democratic Party	3	2.3
Total	**140**	**97.2**

The ODIHR, a delegation of the OSCE Parliamentary Assembly and a delegation of the Parliamentary Assembly of the Council of Europe formed an International Election Observation Mission (the "**IEOM**") to oversee the 2021 parliamentary elections.

The IEOM issued a Statement of Preliminary Findings and Conclusions on 26 April 2021, which included the statement that "*In the 25 April elections, voters had a choice of candidates, who were able to campaign freely, under a legal framework which respects fundamental freedoms.*"

The next parliamentary elections are scheduled for 11 May 2025.

The Assembly approved Prime Minister Edi Rama's proposed Council of Ministers and Government programme on 17 September 2021. The Council of Ministers includes 17 ministers, all of whom belong to the SPA. As at 31 December 2024, 53% of the Council of Ministers are female. See "*The Albanian Economy—Government Programme*".

Electoral Reform

On 13 October 2017, the Electoral Reform Commission was established with the primary objective to amend and update the electoral code to incorporate recommendations made by the OSCE and ODIHR in respect of the elections held in 2013, 2015, 2017 and (subsequently) the 2019 local elections. The Electoral Reform Commission proposed amendments to the electoral code, and, on 23 July 2020, a number of amendments to the electoral code were adopted. These amendments altered the structure of the CEC, provided for additional regulatory safeguards against the misuse of public resources and strengthened guarantees for gender balance in candidate lists, as well as amending provisions relating to public and private financing of campaigns, oversight of campaign coverage in the media and election dispute resolution. The electoral reforms also provided for electronic voter identification on election day, the possibility of introducing voting from abroad and piloting new voting and counting technologies.

On 30 July 2020, constitutional amendments introduced preferential voting, whereby individual voters are able to rank candidates in order of preference. On 6 September 2020, President Ilir Meta called parliamentary elections for 25 April 2021.

Following further amendments on 5 October 2020, the electoral code replaced the regional threshold qualifications for seat allocations with a national threshold of 1%, provided for a minimum number of candidates on party lists and allowed leaders of political parties to stand as candidates in up to four electoral districts.

On 15 December 2021, representatives of the main political parties, state institutions and experts met to discuss the 2021 parliamentary elections and how to strengthen the legal framework and advance the new electoral reform agenda. In 2022, the Assembly approved the establishment of a Special Parliamentary Committee focused on electoral reform, which was comprised of 18 members and was tasked with drafting electoral reform legislation.

In July 2024, the Assembly approved further changes to the electoral code, including: (i) permitting postal voting for Albanian citizens resident abroad; and (ii) that two-thirds of candidate lists for elections will be open for preferential voting, while one-third will remain closed. The newly-adopted Law № 81/2024 includes new provisions for voting rights for Albanian citizens resident abroad, including: (i) voting rights for all eligible citizens resident abroad; (ii) an electronic registration process for these voters; (iii) validation of voter lists against domestic registers; and (iv) procedures for postal voting and counting.

Local Government

Since 2015, the Government has continued to focus on reforming local government and encouraging decentralisation, with the aim of increasing local government efficiency and performance, as well as simplifying access to local services. Local government in Albania is organised in two levels, municipalities and districts. In July 2014, the Assembly passed Law № 115 of 31 July 2014 "On administrative division of local government units in the Republic of Albania" ("**Law 115**"), according to which the number of local government units decreased to 61 from the 373 communes and municipalities previously in place, while the number of regional councils remained at 12. In addition, the law reduced the number of municipal councillors from 6,600 to 1,600 and the number of public clerks from 20,000 to 12,000. Pursuant to reforms introduced by Law 115, local government units enjoy certain rights, including the right of self-governance, the right of property, the right to collect revenues and make expenditures and the right to conduct economic activities. These administrative reforms have increased the level of investment expenditures, in comparison to administrative expenditures, in most municipalities.

The most recent local government elections took place on 14 May 2023. This election was the third to elect mayors, municipal council members, municipal unit mayors and municipal unit members in each of the 61 local government units. Turnout varied among the local government units, with the CEC concluding that official nationwide turnout was approximately 38%. The OSCE monitored the local elections and in a press release dated 15 May 2023 noted that "*[the] local elections were generally well-administered, competitive and held with the participation of the country's key political forces*". The next local government elections are scheduled to take place in 2027.

International Relations

Albania is a member of multiple regional and international organisations and initiatives, including the United Nations ("**UN**"), the OSCE, NATO, the Stability Pact for South Eastern Europe, the U.S.-Adriatic Charter on Euro-Atlantic Integration and the World Trade Organization ("**WTO**"). Albania is a negotiating candidate country for accession to the EU.

European Union

EU integration, leading to accession to the EU, is the Government's overriding foreign policy priority. In June 2006, Albania and the EU signed a Stabilisation and Association Agreement (the "**SAA**"), which entered into force on 1 April 2009. The SAA provided guidance on required reforms to implement EU *acquis* and standards. In accordance with the SAA, Albania has been focusing on implementing essential rule of law reforms and addressing corruption and organised crime. Since 1 April 2019, Albania is fully associated with the EU. See "*Risk Factors—Risks relating to the Republic—EU Accession*".

Albania filed its application for EU membership in April 2009. In October 2013, the European Commission recommended that Albania be granted EU candidate status, subject to completion of certain key reform measures. The European Commission's 2013-2014 Enlargement Strategy Paper identified five key priorities to be addressed prior to the launch of formal accession negotiations: (i) continued implementation of public administration reforms; (ii) further action to reinforce the independence, efficiency and accountability of judicial institutions; (iii) introduction of measures to fight corruption; (iv) introduction of measures to fight organised crime; and (v) reinforcement of human rights and anti-discrimination policies and implementation of property rights (collectively, the "**Five Key EU Integration Priorities**"). In May 2014, the Government adopted a comprehensive roadmap to structure Albania's efforts in meeting these key priorities, and, in July 2014, the Government adopted a National Plan for European Integration for the period 2015 to 2020. On 27 June 2014, Albania was granted EU candidate status.

In recent years, Albania has been working closely with the European Commission in connection with its reform projects and its preparation for the various stages of the EU integration process. In Albania, the National Council of European Integration has been established; demonstrating the all-party approach to EU integration, this Council is chaired by the parliamentary opposition. Members of the parliamentary opposition were also invited to participate in high-level dialogue with all EU institutions.

In February 2018, the European Commission adopted its strategy for "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans". This strategy outlined the remaining challenges to EU integration faced by the six Balkan states hoping to join the EU, *i.e.,* Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro and Serbia (the "**West Balkans Six**"). The strategy sets out flagship initiatives in six key areas (rule of law, security and migration, socio-economic development, transport and energy connectivity, digital agenda and reconciliation and good neighbourly relations), as well as the European Commission's vision for the EU and West Balkans Six joint future and how to achieve it.

The leaders of the West Balkans Six attended an EU heads of state summit in Sofia in May 2018. At the summit, the EU leaders agreed on a declaration (the "**Sofia Declaration**"), which welcomed the shared commitment of the West Balkans Six to European values and principles and reaffirmed the EU's unequivocal support for the European perspective of the Western Balkans. The "Sofia priority agenda" was also adopted as an annex to the Sofia Declaration, outlining new measures for enhanced co-operation between the EU and the West Balkans Six in the areas of strengthening support to the rule of law and good governance, reinforcing engagement on security and migration, supporting socio-economic development with a specific focus on youth, increasing connectivity, launching a digital agenda for the West Balkans and supporting reconciliation and good neighbourly relations in the Western Balkans.

At a virtual summit in Zagreb held in May 2020, the EU and the leaders of the West Balkans Six issued the Zagreb Declaration, which confirmed EU support to the Western Balkans and its commitment to actively support their efforts to combat the COVID-19 outbreak, its impacts on societies and economies and post-pandemic recovery.

In the 2020 Communication on EU enlargement policy published in October 2020, the European Commission assessed that Albania has advanced towards its strategic goals with the Council's decision to open EU accession negotiations. The Stabilisation and Association Council between Albania and the European Union held its eleventh meeting on 1 March 2021 and noted the European Commission's 2020 Albania Report.

On 12 May 2021, the European Commission issued an update report on the fulfillment by Albania of the conditions prior to the first intergovernmental conferences and other priorities in the Council's conclusions of March 2020, which opened accession negotiations with Albania. The report noted that: "*Overall, and despite the challenges posed by the COVID-19 outbreak, Albania has continued to show its commitment and delivered tangible and sustainable results in the key areas identified in the Council Conclusions of March 2020.*"

On 18 July 2022, EU Member States approved the negotiating framework for Albania and accession negotiations began.

On 19 July 2022, the EU held its first Intergovernmental Conference with Albania and North Macedonia in Brussels. The European Commission also officially launched its "screening process", constituting the first stage of the accession process, which began on 15 September 2022. The screening process is structured along six thematic clusters covering broad themes related to good governance, internal market, economic competitiveness and connectivity. In June 2023, the European Commission submitted to the EU Council the screening report on the first cluster on "Fundamentals", including benchmarks for opening accession negotiations. A number of screening meetings on other clusters for the screening process took place in 2023, with the screening sessions for all six clusters completed in November 2023. Negotiations of the fundamentals cluster were opened at the second intergovernmental conference held in October 2024 and negotiations of the external relations cluster were opened at the third intergovernmental conference held in December 2024.

In February 2023, Albania's National Strategy for Development and European Integration 2022-2030 (the "**NSDEI**") was approved by a decision of the Council of Ministers. The NSDEI envisions Albania in 2030 as a dynamic economy, which is part of the European Union and that offers equal conditions for increasing the well-being of all its citizens based on a functional democracy that guarantees fundamental rights and human freedoms. The NSDEI builds upon the National Strategy for Development and Integration 2015-2020, with the goal of European integration and a focus on three main pillars: (i) democracy and strengthening of institutions and good governance; (ii) an agenda for sustainable economic development, connectivity and green growth; and (iii) social cohesion. The NSDEI targets progress in all areas but, in particular, with respect to: (i) the process of joining the European Union and the democratisation of Albania, the consolidation of institutions and the rule of law and ongoing fundamental reforms; (ii) the fight against corruption through judicial reform, the modernisation of services and the consolidation of digital infrastructure; (iii) increasing electricity generation capacity based on renewable sources, primarily solar and wind, while providing support for increased energy efficiency in the housing sector and reducing energy losses; (iv) supporting new technologies and innovation in agriculture, increasing attention to food security and expanding export opportunities; (v) tourism and the goal of increasing tourism to 10 million foreign visitors by 2030; and (vi) increasing digital opportunities for Albanian enterprises and citizens, particularly in the private sector. It defines the policy objectives of the Government and is expected to guide the Ministry of Finance in its preparation of the annual budget. The NSDEI includes 50 measurable key performance indicators across policy areas including public services, competitiveness, employment, well-being, rural development and agriculture, telecommunications, energy, water supply, social protection, youth/employment, public finances and health, of which 17 are linked to the UN's Sustainable Development Goals.

In October 2024, the European Commission published its Albania 2024 Report, which noted that the "*firm political commitment of the Albanian authorities to the strategic goal of European Union integration has been consistently stated as the country's key priority, and a high level of ambition to move forward in the accession negotiations has been generally maintained*".

Albania continues to align its foreign policies with the EU Common Foreign and Security Policy and actively participates in missions and operations under the EU Common Security and Defence Policy.

Albania is party to the EC-Albania Readmission Agreement, which entered into force in 2006 and establishes reciprocal procedures for the readmission of persons residing without authorisation in Albania or an EU member state, and the Visa Facilitation Agreement, which entered into force in 2008. Since 2010, Albanian citizens benefit from visa-free travel to the Schengen Area.

Albania has benefited from EU support through a number of programmes, targeted both nationally and regionally, primarily in the areas of governance and institution building, rule of law, education, agriculture and rural development. Albania has also received EU support following the November 2019 Earthquake, to support efforts during the COVID-19 pandemic, as well as to support the socio-economic consequences of the energy crisis resulting from the impact on global energy prices due to the war in Ukraine and global macroeconomic conditions.

Following the November 2019 Earthquake, at an international donors conference, the European Commission pledged €115 million of support consisting of: (i) an initial amount of €15 million for rehabilitation and reconstruction of education facilities; and (ii) an additional €100 million under a programme adopted in July 2020 focusing on the rehabilitation and reconstruction of education facilities, including furniture and equipment, to allow children and the youth to return to school with better conditions and facilities, as well as the rehabilitation of damaged cultural heritage sites, including monuments, museums, libraries and archaeological sites.

The main source of funding for EU support to Albania is through the Instrument for Pre-Accession Assistance ("**IPA**"). On 15 September 2022, the Assembly ratified an agreement with the EU under a third IPA for the receipt of €600 million in funding between 2022 and 2029. On 24 March 2023, the Council of Ministers approved financing agreements between the European Commission and Albania for 2022 and 2023 under the third IPA. In July 2024, the European Commission approved a maximum EU contribution for implementation of the 2024 action plan under the third IPA of €67.4 million. The action plan for 2024 covers the fight against corruption, local governance, food safety, forests and employment and social inclusion projects.

In 2020, the EU's COVID-19 support package for Albania amounted to €50.7 million of support, including €26 million under the IPA for 2020, €4 million to address immediate medical supplies and equipment needs (from the IPA for 2017) and €20.7 million to top-up an existing €50 million social inclusion programme under the IPA for 2019. In April 2020, the EU launched the EU4Health Programme, which provided for the procurement of specialised medical equipment and devices for the prevention and treatment of COVID-19 in Albania. In December 2020, the European Commission adopted a €70 million package under the Instrument for Pre-Accession (IPA II) to help fund the access of Western Balkans partners to COVID-19 vaccines procured by EU Member States, enabling the Western Balkans to purchase a number of vaccines from the EU Advance Purchase Agreements with six manufacturers, with individual EU Member States sharing a portion of their pre-allocated doses. COVID-19 vaccines shared and funded by the EU arrived in the region in April 2021.

In 2020, the Government entered into a €180 million loan facility agreement with the EU to support efforts to combat and limit the economic effects of the COVID-19 pandemic. The first instalment of €90 million was disbursed in the first quarter of 2021, and the second and final instalment was disbursed in November 2021.

Albania has particularly strong relations with Greece (as a result of the proximity of Albania to Greece, the presence of a significant number of ethnic Greeks in Albania and ethnic Albanians in Greece and the historic presence of Greek banks in the Albanian financial sector) and considers their relationship to be a strategic partnership. A memorandum of understanding on energy was signed in April 2017 between Albania and Greece, aimed at promoting regional energy connectivity and the diversification of natural gas sources, lines and suppliers. A memorandum of co-operation in the agricultural sector, which was signed in July 2015, entered into force in March 2021.

Italy is Albania's largest trading partner (See "*Balance of Payments and Foreign Trade*"). In October 2016, Albania and Italy signed a memorandum of understanding on cooperation in the agriculture sector, and, in March 2017, a cooperation agreement was signed between the Albanian and Italian transport ministries, removing the fixed fee and road tax for Albanian carriers. In November 2017, Albania and Italy signed a protocol on the fight against terrorism and human trafficking. In February 2018, a memorandum of understanding focussing on transport and infrastructure, renewable energy, environmental technologies and tourism was announced between Albania and Italy. The two countries have also renewed their framework agreement on education and are currently conducting discussions relating to several other key areas. Construction and completion of the Trans-Adriatic Pipeline ("**TAP**") project in 2020 was another key project that

continued Albania's close cooperation with Italy. See "*The Albanian Economy—Principal sectors of the Economy—Energy—Energy Sector Reform*". In March 2021, Italy and Albania entered into an agreement for the automatic conversion of driving licences. In November 2023, Albania and Italy announced plans for two processing centres to be built in northern Albania to process 36,000 asylum seekers in Italy each year.

United States

The United States established diplomatic relations with Albania in 1922, although diplomatic relations were ended in 1939 due to Albania's occupation by Italy and Germany and then during Albania's communist regime. Diplomatic relations between the United States and Albania were re-established in 1991.

Albania and the United States have signed and ratified a number of agreements, including: a treaty on the prevention of proliferation of weapons of mass destruction and the promotion of defence and military relations; the U.S.-Adriatic Charter on Euro-Atlantic Integration; and an Article 98 agreement regarding the non-surrender of persons to the International Criminal Court.

In April 2015, Albania and the United States signed a Joint Declaration on Strategic Partnership, which focuses on partnership between the two countries on global issues, regional issues, political dialogue, security, strengthening the rule of law, economic development, energy security and educational and cultural changes. Albania co-operates with, and hosts, the United States on military exercises. In 2021, the Government and the United States signed a memorandum of understanding on 4G and 5G mobile technology security. Co-operation in other fields has also deepened and, in October 2020, the U.S. and Albania entered into a memorandum of understanding on economic co-operation. The second session of a Strategic Dialogue took place between the United States and Albania on 25 October 2022, which reaffirmed the Joint Declaration on Strategic Partnership and set out the United States and Albania's determination to jointly advance a range of shared priorities. The Dialogue was led by Albanian Foreign Minister, Olta Xhaçka, and U.S. Assistant Secretary of State for European and Eurasian Affairs, Dr. Karen Donfried, and focused on areas of key geostrategic importance, including energy supply and security, cyber resilience, digital transformation and climate change, as well as a mutual desire to promote and forge stronger ties between the business communities of the two countries.

U.S. government assistance has aimed to help Albania to strengthen its democratic institutions and the rule of law; promote sustainable, broad-based economic growth; and integrate the country into European and Euro-Atlantic structures. In 2023, disbursements from U.S. agencies to Albania totalled U.S.$30.7 million (of which U.S.$8.9 million was provided by the U.S. Agency for International Development), as compared to U.S.$47.0 million in 2022 and U.S.$24.0 million in 2021.

Following the November 2019 Earthquake, the United States provided U.S.$930,000 to Albania to be used for reconstruction and safety projects.

Following cyber-attacks on key digital infrastructure in Albania in September 2022, the United States approved an initial package of assistance of U.S.$25 million for Albania.

United Kingdom

Following the United Kingdom's withdrawal from the EU, in February 2021, Albania and the United Kingdom entered into a partnership, trade and co-operation agreement, which entered into force in May 2021. This agreement aims to ensure the continuation of co-operation and trade between Albania and the United Kingdom, maintaining certain preferential terms that applied under the SAA while the United Kingdom was a member of the EU. Albania and the United Kingdom have outlined a £4 billion ambition for a closer export relationship and, in December 2022, Albania and the United Kingdom agreed to be partners in economic development and sustainable projects in Albania and the wider Western Balkans. In November 2023, Albania and the United Kingdom signed a commitment to cooporate on illicit finance corruption, narcotics and organised immigration crime.

NATO

Albania joined NATO in April 2009. In recent years, Albania has been working to increase its participation in NATO as part of its closer integration with the alliance. In addition to its historical participation in NATO operations in Afghanistan and Iraq, Albanian forces have worked alongside NATO nations in peacekeeping operations. In November 2016, the Albanian navy, in its first NATO deployment, joined NATO's Aegean mission and deployed a patrol vessel to monitor the waters between Türkiye and Greece and support international efforts aimed at combatting human trafficking. Albanian forces are currently engaged in peacekeeping and combat missions, including the NATO Forward Land Forces (in Latvia since 2017), the Multinational Battle Group located in Bulgaria (since 2023), the Kosovo Force (KFOR) (where Albania tripled its number of participants in 2023), the AGEAN Sea Mission to gather, develop and maintain an accurate picture

of activity in the Mediterranean Sea (since 2023), and NATO Mission Iraq, a non-combat advisory and capacity-building mission to assist Iraq in building more sustainable, transparent, inclusive and effective armed forces and security institutions. In addition, Albania has committed to the Very High Readiness Joint Task Force, which was formed in 2014 as part of the NATO Response Force.

In August 2018, Prime Minister Rama announced that NATO, in partnership with the Government, was expected to invest over €43 million in the modernisation of an air base in Kuçovë, NATO's first air base in the Western Balkans, which is also expected to serve as the national base for Albania's air force. The airbase was re-opened in March 2024 and is expected to be used as a tactical air base in accordance with NATO standards. Full operational capability at the air base is expected to be achieved by 2030.

Albania's foreign policy with respect to the war in Ukraine is in line with NATO's policies, and Albania contributes funds to the NATO trust fund for assisting Ukraine.

Albania also contributes to NATO's anti-terrorism operations through its participation in NATO's Partnership Action Plan on Terrorism. This includes sharing intelligence and analysis with NATO, enhancing national counter-terrorist capabilities and improving border security.

World Trade Organization

Albania has been a member of the WTO since September 2000. As a result of its membership of the WTO, Albania is required to continuously monitor the fulfilment of commitments arising from membership, as well as to develop and implement domestic legislation in accordance with the agreements and rules of the WTO. The Ministry of Finance, in co-ordination with the Ministry of Foreign Affairs, is responsible for monitoring Albania's compliance with WTO requirements, in close collaboration with the Permanent Mission of the Republic of Albania in Geneva.

United Nations

Albania has been a member of the UN since 14 December 1955 and regularly works with various UN agencies, including the UNHCR, the UN Economic Commission for Europe ("**UNECE**"), the UN Industrial Development Organisation ("**UNIDO**"), the World Intellectual Property Organization ("**WIPO**"), the UN Environment Programme ("**UNEP**"), the UNDP and the World Meteorological Organization ("**WMO**"). In September 2015, Albania endorsed the UN's "2030 Agenda for Sustainable Development" ("**Agenda 2030**"), which was adopted by world leaders in September 2015 and came into force on 1 January 2016, and has included sustainability targets from Agenda 2030 as part of its EU integration reform agenda. These sustainability targets included working towards the elimination of poverty, hunger and gender inequality.

In 2020, Albania headed the OSCE, which is comprised of 57 countries. In June 2021, Albania was elected as a non-permanent member of the UN Security Council for 2022 and 2023.

Albania is also working with UNIDO on initiatives to increase the use of biomass energy by small- and medium-sized enterprises ("**SMEs**").

Albania has historically participated, and continues to participate in, UN peacekeeping missions and currently has one member of personnel participating in the United Nations Interim Security Force for Abyei (UNISFA) and three members of personnel participating in the United Nations Mission in South Sudan (UNMISS).

Albania also continues to support international efforts within the UN to achieve gender equality as a matter of priority.

On 25 October 2021, Albania and the UN Country Team signed the Albania-UN Sustainable Development Cooperation Framework 2022-2026, which sets specific targets in relation to certain UN Sustainable Development Goals, including, targeting that by 2026: (i) there is increased and more equitable investment in people, removing barriers and creating opportunities for those at risk of exclusion; (ii) innovative and integrated policy solutions to accelerate sustainable, productive and inclusive economic development, enhance climate change adaptation and mitigation and encourage the transition to a green and blue economy; (iii) governance is more transparent and accountable, enabling people (women and girls, men and boys, and persons at risk of exclusion) to enjoy quality, inclusive services, enhanced rule of law and access to justice in line with Albania's human rights commitments; and (iv) governance is more transparent and accountable, enabling all people to enjoy quality, inclusive services, enhanced rule of law and access to justice in line with Albania's human rights commitments.

Regional Relationships

Albania maintains positive relations with its neighbours. Since 18 February 2008, Albania has recognised the independence of, and strengthened its relationship with, Kosovo, which has, in the past, led to tensions with neighbouring countries, although these tensions have declined in recent years. Following the eight intergovernmental meeting held in Tirana in 2022, the Kosovan and Albanian governments have been working towards a results-oriented co-operation, with a number of bilateral agreements covering wide-ranging areas of co-operation entered into, including the free movement of people and goods, as well as education, trade and tourism. In December 2024, the Albanian and Kosovan parliaments held a joint session.

Furthermore, Albania maintains generally positive relations with Montenegro, which gained its independence in 2006 after the dissolution of the former Yugoslav Republic. Albania revitalised its relationship with Serbia following the visit of Albania's Prime Minister Edi Rama to Belgrade on 11 November 2014, the first visit since 1946. Since January 2021, citizens of the two countries have been able to travel between the countries on the basis of identification cards (rather than passports).

Albania also maintains good relations with Bosnia and Herzegovina. Albania maintains good diplomatic relations with North Macedonia and supports its sovereignty, integrity and stability, requesting that the rights of ethnic Albanians in North Macedonia should be respected in line with the Ohrid Framework Agreement entered into on 13 August 2001.

On 19 December 2006, all of Albania's bilateral trade agreements with countries in the western Balkans region were transformed into a multilateral agreement, the Central European Free Trade Agreement ("**CEFTA**"), which includes Albania, North Macedonia, Montenegro, Kosovo, Moldova, Serbia and Bosnia and Herzegovina.

Albanian, North Macedonian and Italian law enforcement agencies are cooperating with increasing efficiency to crack down on the trafficking of arms, drugs, contraband and human beings across their borders. See "—*European Union*". Albania has also arrested and prosecuted several ethnic Albanian extremists on charges of inciting inter-ethnic hatred in North Macedonia and Kosovo.

In recent years, regional cooperation has increased. Albania participates in a number of regional political and economic forums and initiatives, including transition from the Stability Pact for South-Eastern Europe to a more regional framework with the South-East European Cooperation Process and the Regional Cooperation Council.

In addition, Albania has joined the West Balkans Six Initiative, which provides political support for regional cooperation focusing on economic governance and connectivity. The Western Balkans Six established the Western Balkans Fund ("**WBF**") in November 2015 with the objective of enhancing cooperation among its members and strengthening relations and regional cohesion, to advance integration into the EU. The WBF finances small- and medium-term projects with the objective of increasing regional and cross-border cooperation and strengthening regional cohesion. The most recent Western Balkans Six Summit was held in Berlin in October 2024. At the summit, further agreements and declarations were made concerning the promotion of student exchange, and fighting irregular migration and organised crime, there was commitment to a quicker implementation of the Green Agenda to be realised in the Western Balkans climate partnership. See also "—*European Union*".

Following the November 2019 Earthquake, Serbia, North Macedonia, Montenegro, Kosovo and Bosnia and Herzegovina provided U.S.$2.8 million in support to Albania (of which U.S.$2 million was provided by Serbia).

In May 2017, Kosovo, Montenegro and Albania signed a protocol for the establishment of a joint centre for police cooperation. The aim of the joint centre project is to improve cross-border cooperation in the fight against crime through more intensive exchange of operative information and more efficient coordination of joint activities along state borders.

In February 2020, Albania participated in the High-Level Conference EU-Western Balkans, which took place in Thessaloniki and reaffirmed the importance of the EU integration process as an impetus for reform in the region. It also aimed to increase regional cooperation and address political issues in the region through the implementation of regional projects aligned with those implemented in the EU. In this respect, a number of Government ministries, including the Ministry of Economic Development, Trade and Entrepreneurship and the Ministry of Transportation, have worked with their counterparts in other countries in the region in connection with a list of regional projects, which will require the support of both EU and international financial institutions. Albania is an active participant and beneficiary of the Berlin Process, aimed, among other targets, at deepening economic and trade cooperation within the Western Balkans. Together with Serbia and North Macedonia, Albania is engaged in a tripartite initiative to implement the "Four EU Freedoms" in the region.

In July 2021, the leaders of Albania, Serbia and North Macedonia launched "Open Balkan", an initiative for regional co-operation. Memoranda of understanding have been signed relating to co-operation on the facilitation of imports, exports and the movement of goods in the Western Balkans, on free access to the labour market, on co-operation in disaster protection, on mutual recognition of authorised economic operators, on cooperation of the tax administrations in the Western Balkans, and in the field of accreditation. Work is ongoing in respect of the removal of non-tariff barriers and administrative fees related to payments to be made at the border, as well as to enhance cooperation between the international promotion agencies.

In November 2022, Albania and North Macedonia signed cooperation deals in respect of energy and infrastructure projects, expressing a commitment toward continuing cooperation as both countries work towards joining the EU.

Legal Proceedings

From time-to-time, Albania is involved in investment treaty arbitrations against it. For instance, there is one ongoing UN Commission on International Trade Law ("**UNCITRAL**") arbitration matter and one ICSID arbitration pending against Albania. Albania is vigorously defending claims made against it and, save as set out below, does not believe that these claims, taken singly or collectively, as and when adjudicated, will have a significant effect on Albania's financial position.

See also "*Risk Factors—Risks Relating to the Republic—Legal Proceedings and Arbitral Award*".

Hydro S.r.l. and others v. Republic of Albania

Albania was the respondent party in an investment treaty arbitration brought against it by two Italian companies, Hydro S.r.l. ("**Hydro**") and Costruzioni S.r.l. ("**Costruzioni**") and four Italian citizens, Mr. Francesco Becchetti, Mr. Mauro De Renzis, Ms. Stefania Grigolon and Ms. Liliana Condomitti (collectively, the "**Claimants**"). The arbitration was brought on the basis of the bilateral investment treaty between Albania and Italy. The dispute related to the alleged Claimants' investments in Albania's hydroelectric energy, wind energy and media industries and the Claimants' allegations that Albania expropriated certain of the Claimants' investments and did not accord fair and equitable treatment to the Claimants' investments in Albania. In an award issued on 24 April 2019, the arbitral tribunal found that it only had jurisdiction to hear part of the claims. All the claims were dismissed, save for an expropriation claim related to a broadcasting project for which the Claimants were awarded an amount indicated by published reports to be €99,487,000, plus interest.

Albania requested the annulment of the award. This request was rejected by the ICSID Ad Hoc Committee on 2 April 2021.

Certain of the Claimants were subject to ongoing criminal proceedings in Albania and, in February 2023, the Court of First Instance of Tirana found the defendants guilty of several convictions against them. In particular, Mr. Becchetti was convicted by the Tirana Judicial District Court on 23 February 2022 and sentenced to 17 years imprisonment. In March 2023, Mr. Becchetti and others appealed the District Court's decision.

In April 2022, Albania filed an application for revision of the award. On 29 March 2023, the parties were notified of the Tribunal's decision to dismiss Albania's Revision Application and the ICSD Tribunal declared the proceedings closed. In October 2024, Albania filed requests for the annulment/revision of the arbitral award issued in April 2019, the *ad hoc* committee decision on annulment as well as of the decision on revision issued in March 2023, before the Court of Appeal in Paris.

Court proceedings for the recognition and/or enforcement of the award have been initiated by the Claimants in Albania, Austria, Belgium, England, Italy, the Netherlands and Norway, and are currently ongoing. The Claimants maintain they have obtained recognition of the award in several jurisdictions, including England, Italy and France by way of *ex parte* orders. The Government is continuing to, or intends to, contest such proceedings, although the ultimate outcome remains uncertain.

In particular, in October 2024, the Brussels Court of First Instance ruled in favour of enforcement of the ICSID award and for amounts received by Eurocontrol, the European body responsible for collecting fares paid by airlines for flights over different territories, for Albania (which are currently frozen), to be used to satisfy creditor claims (which include Mr. Becchetti in respect of this matter). Albania is challenging this decision in the Brussels Court of Appeal. No procedural calendar is currently in place for this appeal. Albania also made a claim before the Belgian Court of Cassation challenging the legality of the seizure of Eurocontrol funds. The Belgian Court of Cassation rejected this claim at a hearing held in December 2024.

Proceedings on similar and related matters were also brought against Albania by Agonset sh.p.k before the European Court of Human Rights. On 2 June 2022, the European Court of Human Rights unanimously declared the claimant's application inadmissible.

Ndroqi v. Republic of Albania

On 31 August 2022, Mimoza Ndroqi, a Bulgarian citizen, filed a notice of arbitration pursuant to the 2021 UNCITRAL Arbitration Rules in respect of the bilateral investment treaty between Bulgaria and Albania.

On 20 October 2023, Albania submitted a request to bifurcate the proceedings, and on 30 July 2024, the Tribunal ruled to bifurcate a first objection raised by Albania to be addressed as a preliminary question. A hearing in relation to the jurisdiction claims is scheduled to be held in June 2025.

It is not possible to predict how these proceedings will develop or what the outcome will be.

Response to COVID-19

In common with most other countries, the COVID-19 pandemic had a significant effect on Albania and the Government took a number of measures in an effort to limit the spread of the COVID-19 virus.

On 24 March 2020, the Government declared a natural disaster state of emergency due to the COVID-19 outbreak. During this period: (i) a nationwide lockdown was imposed; and (ii) strict measures to isolate the spread of the virus were in place. Curfews and lockdowns were reintroduced for various periods during the COVID-19 pandemic and all sporting events, cultural events and other large public gatherings were cancelled and all restaurants, bars and nightclubs were closed, as were all gyms, recreational areas, children's activity centres, among others, during the initial lockdown period. There were also various periods of school closures and distance learning in 2020 and 2021.

There are currently no restrictions on movement within Albania and restrictions on gatherings, sports championships, theatre, artistic and cultural performances have been lifted. In addition, with effect from 1 May 2022, health restrictions (requiring a negative test or proof of vaccination) on entering and leaving the country have been lifted.

Albania commenced its COVID-19 vaccination programme in January 2021, initially targeting the highest priority groups of healthcare workers, people living in nursing homes and people with certain medical conditions. The vaccination programme was subsequently opened-up to other healthcare workers and persons according to their age (starting with persons aged 90 years and over gradually decreasing until all persons aged 18 and over were eligible). In March 2021, Albania started a mass vaccination campaign against COVID-19.

THE ALBANIAN ECONOMY

Background

The Albanian economy has undergone a significant transformation since the fall of the Communist government in 1992. In common with other post-Communist countries in Eastern Europe, Albania's transition to a market-based economy in the 1990s was accompanied by economic dislocation due to the shock of the transition and the effects and costs of implementing economic reforms. This transition remains ongoing, with a broad range of continuing reform initiatives being implemented by the Government, in particular programmes aimed at structural reforms and fiscal consolidation.

The democratically-elected government that assumed office in April 1992 launched an economic reform programme that was intended to stop economic deterioration and begin Albania's transition to a market economy. Key elements included price and foreign exchange liberalisation, fiscal consolidation and monetary restraint. These were complemented by a comprehensive package of structural reforms, including privatisation, enterprise and financial sector reforms, as well as the creation of a legal framework for a market economy and private sector activity. Led by the agricultural sector, real GDP grew, and Albania's currency, the Lek, stabilised. Progress stalled in 1996, due to, among other things, the collapse of large financial pyramid schemes and the instability that followed.

In recent years, the Albanian economy has improved, infrastructure has developed and substantial reforms, in areas such as tax collection, property laws and business regulations, are continuing. Between 1998 and 2008, Albania had real GDP growth of at least 5.5% each year, except in 2002. Between 2009 and 2014, Albania had an average annual GDP growth rate of 2.3%. Albania's real GDP grew year-on-year between 2015 and 2019 and grew 2.1% in 2019. According to IMF projections released before the COVID-19 pandemic, Albania's real GDP was forecasted to grow by 3.5% in 2020 before the twin shocks of the November 2019 Earthquake and the COVID-19 pandemic. Primarily due to these two shocks, according to INSTAT data, real GDP contracted by 3.3% in 2020. Growth has rebounded in recent years. In 2021, Albania's real GDP grew by 9.0%, driven by a strong recovery in the tourism, construction and electricity production markets. In 2022, real GDP grew by 4.8%, primarily driven by domestic demand, both in terms of consumption and investment, as well as net foreign demand. In 2023, real GDP grew by 3.9%, reflecting a strong performance in private consumption, services and construction activity. Increases in tourist arrivals and electricity production in 2023, as compared to 2022, as well as fiscal revenues surpassing budgeted levels, also contributed to GDP growth in 2023. In the six months ended 30 June 2024, real GDP grew by 3.9%, as compared to 3.4% in the corresponding period in 2023, reflecting broad based economic growth across the Albanian economy. The IMF projects real GDP to have grown by 3.6% in 2024 and to grow by 3.5% in each of 2025 and 2026. See "—*Gross Domestic Product*".

The Government's economic policy seeks to achieve sustainable growth, generate solid employment, improve the standard of living of Albanians and create an economy capable of integrating in EU value chains. See "—*Government Programme*" and "—*Economic Programme and Priorities*".

According to INSTAT, annual *per capita* GDP (based on annual average population data) was estimated to be ALL 659,700 (approximately €5,381) in 2021, ALL 769,500 (approximately €6,476) in 2022 and ALL 858,100 (approximately €7,891) in 2023, while gross national disposable income ("**GNDI**") *per capita* was estimated to be approximately ALL 664,300 (approximately €5,419) in 2021, ALL 767,400 (approximately €6,458) in 2022 and ALL 851,400 (approximately €7,829) in 2023. GNDI *per capita* adjusted for purchasing power parity was €11,921 in 2021, €14,021 in 2022 and €15,711 in 2023. According to the latest data published by INSTAT in the Income and Living Conditions Survey, the at-risk-of poverty rate threshold for a one-member household in 2022 was set at ALL 225,931, as compared to ALL 191,791 in 2021. In 2022 there were an estimated 576,316 individuals living below the at-risk-of-poverty threshold, as compared to an estimated 662,705 individuals in 2021; representing a decrease of approximately 7.4%.

According to estimates by the World Bank published in its Macro Poverty Outlook (October 2024), Albania's upper middle-income poverty rate (measured at U.S.$6.85 per day at 2017 purchasing power parity) was 21.7% in 2023, as compared to 23.6% in 2022, and is estimated to be 20.1% in 2024.

In 2023, the official unemployment rate in Albania was 10.7%. See "—*Employment*".

The Bank of Albania targets annual inflation at a rate of 3.0%. The Bank of Albania took a number of monetary policy measures in 2022 and 2023, primarily in response to rising domestic and global inflation, as a result of the war in Ukraine, with the inflation rate increasing in line with global inflationary trends (and above the Bank of Albania's annual inflation target), reaching a high of 8.3% in October 2022. To ease inflationary pressures, the Bank of Albania raised interest rates five times in 2022 and twice, in 2023, to 3.25%, its highest level in nine years. Increases to the interest rate in Albania were generally made concurrently with rate increases announced by the ECB. In each of July and November 2024, the Bank of Albania lowered its interest rate by 25 basis points to 2.75%, reflecting a reduction in inflation and positive trends in economic, monetary and financial stability during the first three quarters of 2024.

Government Programme

The Assembly approved Prime Minister Edi Rama's proposed Council of Ministers and Government programme on 17 September 2021.

The five pillars of the Government programme are the reconstruction programme following the November 2019 Earthquake and the COVID-19 pandemic, as well as well-being for all (raising citizen welfare), modernising the economy (including the agriculture, tourism, energy, digital economy, transport and services sectors), family and solidarity, with equal access to education and health and working for a strong Albania, in particular Albania's governance and institutional framework.

Key priorities and pledges in the Government's programme include:

(i) completion of the reconstruction efforts following the November 2019 Earthquake (in particular reconstruction of housing) by the end of 2022;

(ii) raising the minimum wage from ALL 30,000 to ALL 40,000;

(iii) increasing public sector wages during 2023 and 2024 (by 37% for teachers and education staff, 30% for medical staff and by 45% for public administration salaries, as compared to 2022);

(iv) digitalisation of administration;

(v) the establishment of a €50 million sovereign guarantee fund to support the transition to new production lines, innovation, research and development, marketing and design in the manufacturing sector;

(vi) enhancing the well-being of manufacturing workers by increasing the minimum wage;

(vii) implementation of, and compliance with, the approved justice reforms;

(viii) support to the tourism sector, with the aims of ensuring the sustainability of the sector and making Albania a "tourism champion" in the Western Balkans by 2030, including by boosting FDI through fiscal incentives;

(ix) support to ongoing infrastructure projects, including road projects, the ports of Durres, Saranda, Shengjin and Vlora and plans to build two international airports in Vlora and then Gjirokastra (previously planned for Saranda);

(x) aims for Albania to become a net exporter of electricity and to encourage investments in renewable energies and increase photovoltaic capacities, while decreasing dependence on hydropower plants;

(xi) finalising the operationalisation of the Albanian Energy Exchange; and

(xii) additional support for farmers (including through tax exemption schemes and investment in new production capacities, as well as reforms to enhance access to export markets) with agricultural exports targeted to reach U.S.$1 billion by the end of the Government's term.

Economic Programme and Priorities

In October 2014, the European Commission invited the West Balkans Six, including Albania, to prepare annual economic reform programmes ("**Economic Reform Programmes**") in connection with their proposed accession to the EU. These economic reform programmes are required to include medium-term macro-economic and fiscal policy frameworks, proposed macro-structural reform measures to directly support the policy frameworks and other sectoral structural reform measures aimed at improving physical and human capital, industrial structures, the business environment and trade integration in order to boost competitiveness and long-term growth.

On 22 January 2025, the Government adopted its eleventh annual Economic Reform Programme covering the period 2025-2027 (the "**2025-2027 ERP**"), which outlines the Government's key macro-economic and fiscal policies, as well as its medium-term priority structural reforms. The 2025-2027 ERP builds on and replaces the programme for 2024 and 2025 set out in the 2024-2026 ERP adopted in January 2024. The 2025-2027 ERP was officially submitted to the European Commission on 15 January 2025. The 2025-2027 ERP is aligned with the RA 2024-2027, which focuses on reform across five interconnected policy areas: business climate, human capital development, digital transformation, energy transition and the rule of law.

Pursuant to the 2025-2027 ERP, fiscal policy targets include an annual downward trajectory of public debt, fiscal consolidation and maintenance of a prudent balance between current and capital budget expenditures. The 2025-2027 ERP forecasts the primary balance to be neutral in 2025, before increasing to 0.7% of GDP in 2026 and 0.9% of GDP in 2027). Public debt as a share of GDP is expected to decline to approximately 55.2% in 2024, 54.8% in 2025, 53.2% by 2027 and 48.0% by 2031 (as compared to approximately 57.5% in 2023 and 64.1% in 2022). Capital expenditures are targeted to be an annual average of 6.1% of GDP per year between 2025 and 2027 and the budget deficit is targeted to average 2.0% during this period.

2025-2027 ERP Policy Guidance

Building on the ongoing implementation of previous years' programmes, the Government plans to focus on the following policy guidance in 2025-2027:

- ensuring compliance with the fiscal rules set out in the Organic Budget Law, which requires a positive primary balance and a downward trajectory in the share of public debt-to-GDP, and to accelerate the pace of fiscal consolidation;
- ensuring arrears do not exceed 2% of total expenditure;
- increasing tax revenue as a share of GDP, without encumbering growth, by improving tax administration, increasing VAT registrations, reducing the informal economy and tax fraud and implementing a revised Medium-Term Revenue Strategy;
- improving fiscal risk analysis by enhancing risk management methodology to increase transparency and accountability;
- facilitating the implementation of the National Single Project Pipeline (the "**NSPP**") (a list of strategic projects of national importance) by prioritising projects and integrating PPPs;
- ensuring a sufficiently tight monetary policy to anchor inflation expectations at levels consistent with price stability;
- enhancing risk-based supervision, in line with international and EU practices, by strengthening the reporting framework across the banking system and improving data collection; and
- promoting saving and borrowing in Lek and limit unhedged lending and the use of foreign currency in the real economy.

RA 2024-2027

In 2023, the EU announced a Growth Plan to accelerate Western Balkans partners' socio-economic development and EU integration. The EU has allocated €922.1 million in concessional rate loans and non-repayable grants (such non-repayable grants accounting for one third of the total amount) to Albania, to be made available when it meets certain conditions committed to in the RA 2024-2027 prepared in connection with the EU Growth Plan, which has as its main goal "*to achieve a doubling of growth, through structural changes of the economy and its modernization in terms of technology advancement and digitization*" and includes five specific objectives: (i) enhancing national economic competitiveness and governance; (ii) transforming education to foster a skilled and digital ready workforce; (iii) building a secure, resilient, and accessible digital nation; (iv) advancing energy sustainability and market integration; and (v) enhancing rule of law and fundamental rights.

In the RA 2024-2027, the Government has committed to the following reforms, in connection with each of the five objectives:

- *Enhancing national economic competitiveness and governance:* Create a sustainable and competitive economy with transparent governance, efficient infrastructure and a favourable legal framework to attract investment and increase exports by implementing the following measures: (i) mobilising domestic revenues and improving the tax system; (ii) ensuring transparency and efficiency of cadastral state services for investors, businesses and citizens; (iii) increasing investment and transparency into state-owned enterprises and state aid; (iv) improving the framework to attract FDI through deregulation and modernisation of business service; (v) establishing intelligent transport systems and e-goods; and (vi) promoting exports of domestic products to the EU by internationalising enterprises to facilitate access to the EU single market.

- *Transforming education for a qualified and digitally prepared workforce to develop human capital:* Increase the effectiveness of professional education and increasing alignment with the labour market by implementing the following measures: (i) improving the Vocational Education and Training system to better align with labour market skill demands; (ii) updating primary and secondary education curricula to align with the EU Recommendation and National Education Strategy 2016-2026; (iii) aligning the National Qualifications Framework with the European Higher Education Area; (iv) advancing digital skills and education in public schools and universities; (v) improving employment policy support schemes; and (vi) strengthening the national research and innovation environment and ecosystem.

- *Building a secure, sustainable and accessible digital country:* Create a leading digital society for development and growth with secure, sustainable and efficient infrastructure supporting public services and economic transformation through several key objectives: (i) aligning with the EU regulation for Digital Identity and implementing a digital e-wallet for public services; (ii) aligning a cybersecurity regulatory framework with the EU standards under the Network and Information Security Directive; (iii) improving the regulatory framework for secure and sustainable digital infrastructure; and (iv) creating a conducive environment for innovative businesses, supporting businesses with the green and digital transition and stimulating the entrepreneurship ecosystem.

- *Advancing energy sustainability and market integration into the EU:* Transform Albania into a regional energy leader by adopting EU standards and practices, promote competition and increase efforts in the green transition by implementing the following measures: (i) adjusting tariffs to market prices while addressing the risks of energy poverty; (ii) promoting renewable energy production with a transparent and competitive plan; (iii) implementing the Renewable Energy Directive; (iv) implementing mechanisms related to the EU carbon trading and emissions system; and (v) developing the strategic framework for energy efficiency and related schemes for public buildings.

- *Enhancing fundamentals and the rule of law, as a key layer to ensure accountability and transparency in governance:* Further justice reform to combat organised crime, prevent corruption, increase judicial efficiency, and increase transparency and freedom of expression to align with EU standards by implementing the following measures: (i) strengthening efforts to prevent corruption and combat organised crime; (ii) enhancing institutional capacity to prevent and combat drugs; (iii) consolidating a strategic framework to prevent and combat money laundering; (iv) consolidating the independence and accountability of the justice system through transparency; (v) increasing the efficiency of the judicial system; (vi) enhancing freedom of expression to be in line with EU standards; and (vii) aligning visa requirements with EU standards and policies.

Gross Domestic Product

The following table sets forth details of Albania's GDP for the years indicated.

Gross Domestic Product[1]

	For the year ended 31 December					For the nine months ended 30 September	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
GDP at current prices (nominal GDP)							
ALL billions	1,712.0	1,656.0	1,866.7	2,149.7	2,369.9	1,735.9	1,865.42
€ billions[2]	13.9	13.4	15.2	18.1	21.8	15.7	18.4
Real GDP Growth *(%)*	2.1	(3.3)	9.0	4.8	3.9	3.8	4.0
GDP per capita[3]							
ALL thousands	666.2	655.1	750.9	879.6	986.6	—	—
€	5,415.7	5,292.9	6,131.7	7,392.7	9,067.9	—	—

Source: INSTAT

Notes:

(1) The figures in this table have been revised due to a revision of Albania's national accounts conducted in September 2024 and differ from previously published data.

(2) Converted into Euros using the average annual Lek/Euro exchange rate for the relevant year. See "*Exchange Rates*".

(3) The GDP per capital data for 2021 and 2022 is based on annual average population data and, for 2023, is based on the population data from the 2023 Census.

Albania's real GDP grew by 2.1% in 2019. According to IMF projections released before the COVID-19 pandemic, Albania's real GDP was forecasted to grow by 3.5% in 2020 before the twin shocks of the November 2019 Earthquake and the COVID-19 pandemic. Primarily due to these two shocks, according to INSTAT data, real GDP contracted by 3.3% in 2020, reflecting lower domestic and external demand.

Growth has rebounded in recent years. In 2021, Albania's real GDP grew by 9.0%, driven by a strong recovery in the tourism, construction and electricity production markets. In 2022, real GDP grew by 4.8%, primarily driven by domestic demand, both in terms of consumption and investment, as well as net foreign demand. In 2023, real GDP grew by 3.9%, reflecting a strong performance in private consumption, services and construction activity. Increases in tourist arrivals and electricity production in 2023, as compared to 2022, as well as fiscal revenues surpassing budgeted levels, also contributed to GDP growth in 2023. In the six months ended 30 June 2024, real GDP grew by 3.9%, as compared to 3.4% in the corresponding period in 2023. This growth was primarily due to an increase in construction activity and strong performance in the financial and insurance sector, public administration, education and health sectors and the trade, transport, accommodation and food services sectors.

On 27 January 2025, the IMF Executive Board released a statement following the conclusion of its 2024 Article IV mission, reporting *inter alia* that "*The Albanian economy has turned in a strong performance in recent years, underpinned by prudent macroeconomic policies. Output is now well above its pre-pandemic trend, thanks to a booming tourism sector. Prudent fiscal policies contributed to a remarkable reduction in public debt while proactive monetary policy, falling global commodity prices, and lek appreciation have facilitated disinflation. External imbalances have shrunk considerably*." The IMF projects real GDP to have grown by 3.6% in 2024 and to grow by 3.5% in each of 2025 and 2026. In its 2024 Article IV staff report, the IMF noted that *"Albania is on track to be one of the fastest growing countries in Europe in 2024 and growth is expected to remain robust over the medium-term*".

Albania's GDP in 2023 primarily consisted of services (which accounted for 48.0% of GDP, of which trade, hotels and restaurants represented 15.8% of GDP, transport and storage represented 2.7% of GDP, information and communication represented 2.4% of GDP, financial and insurance activities represented 1.6% of GDP and other services represented 25.4% of GDP), agriculture, hunting and forestry (16.2% of GDP), construction (12.1% of GDP) and industry (11.0% of GDP), according to statistics prepared by INSTAT. The remaining 12.8% of GDP relates to net taxes on products (see "*—Principal Sectors of the Economy*"). Approximately 32.3% of all workers in Albania were employed in the agricultural sector in 2023, although the construction and service industries have expanded in recent years. The tourism sector has benefited from increased visits by tourists from the Balkan region and elsewhere, with foreign tourist arrivals reaching 10.4 million in the ten months ended 31 October 2024 and 10.2 million in 2023, a year-on-year increase of 34.6%, as compared to foreign tourist arrivals in 2022. Foreign tourist arrivals are estimated to have reached 11.7 million in 2024. See "*—Principal Sectors of the Economy—Services—Tourism*".

GDP per capita, adjusted for purchasing power parity, was €10,474 in 2019, €10,071 in 2020, €11,280 in 2021, €13,424 in 2022 and €15,076 in 2023, according to data published by the Ministry of Finance.

Principal Sectors of the Economy

The following table sets forth the value-added composition of GDP, by economic activity, in both current prices and percentage terms for the years indicated.

Expenditure Composition of GDP[1]

	For the year ended 31 December										For the six months ended 30 June			
	2019		2020		2021		2022		2023		2023		2024	
	(ALL millions)	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*	*(ALL millions)*	*(% of GDP)*
Final Consumption	**1,510,399**	**88.2**	**1,460,923**	**88.2**	**1,577,896**	**84.5**	**1,792,849**	**83.4**	**1,949,314**	**82.3**	**945,029**	**83.6**	**1,032,438**	**84.7**
Household consumption expenditure	1,277,976	74.6	1,220,177	73.7	1,321,678	70.8	1,516,004	70.5	1,650,427	69.6	798,792	70.7	863,217	70.8
General Government consumption expenditure	217,018	12.7	226,329	13.7	239,592	12.8	258,854	12.0	285,490	12.0	139,331	12.3	163,468	13.4
NPI serving households[3]	15,405	0.9	14,417	0.9	16,626	0.9	17,991	0.8	13,397	0.6	—	—	—	—
Gross fixed capital formation	**421,244**	**24.6**	**417,268**	**25.2**	**507,934**	**27.2**	**552,579**	**25.7**	**569,960**	**24.0**	**250,146**	**22.1**	**259,976**	**21.3**
Net export	**(231,924)**	**(13.5)**	**(239,111)**	**(14.4)**	**(248,721)**	**(13.3)**	**(221,507)**	**(10.3)**	**(122,371)**	**(5.2)**	**(88,359)**	**(7.8)**	**(112,519)**	**(9.2)**
Exports of goods and services	529,638	30.9	373,271	22.5	581,152	31.1	799,641	37.2	916,326	38.7	405,518	35.9	406,395	33.3
Imports of goods and services	760,932	44.4	612,382	37.0	829,873	44.5	1,021,148	47.5	1,038,697	43.8	493,877	43.7	518,914	42.6
Changes in stocks	**11,688**	**0.7**	**16,904**	**1.0**	**29,564**	**1.6**	**25,821**	**1.2**	**(26,997)**	**(1.1)**	—	—	—	—
GDP	**1,712,037**	**100.0**	**1,655,985**	**100.0**	**1,866,673**	**100.0**	**2,149,742**	**100.0**	**2,369,906**	**100.0**	**1,130,333**	**100.0**	**1,219,148**	**100.0**

Source: INSTAT

Notes:

(1) The figures in this table have been revised due to a revision of Albania's national accounts conducted in September 2024 and differ from previously published data.

(2) NPI serving households includes expenditure provided by non-profit making institutions to households as social transfers in kind.

(3) Not available.

Agriculture

Agriculture is a key sector in the Albanian economy, accounting for 16.2% of GDP in 2023, as compared to 17.0% in 2022. In 2023, the agricultural sector decreased by 1.8%, as compared to 2022. Albania's principal agricultural products are livestock, field crops and fruits. Approximately, 32.3% of all workers in Albania were employed in the agricultural sector in 2023.

Historically, Albania has had a significant trade deficit in agricultural products with the EU, which in recent years has been decreasing (from 1:2.9 in 2019 to 1:2.5 in 2023). As part of the EU accession process, Albania is required to align its agricultural policies with the EU Common Agricultural Policy ("**CAP**"). CAP requirements place an emphasis on efficient management of natural resources, and alignment measures are expected to increase the efficiency of agricultural practices in Albania.

The EU has developed an instrument for pre-accession assistance in rural development ("**IPARD II**"), through which support is granted through four accredited measures: (i) investment in physical assets of agricultural holdings; (ii) investment in physical assets concerning processing and marketing of agricultural and fishery products; (iii) support for farm diversification and business development; and (iv) technical assistance. Four open calls have been carried out for applications for farmers, agri-food businesses and business diversification in rural areas with 1,189 applications in a total amount of €246.5 million submitted under IPARD II, and ten further applications in a total amount of €153,100 made under a technical assistance measure. In total, an EU contribution of €61.1 million (equivalent to 86.2% of the total EU contribution) has been contracted to 476 project beneficiaries, of which €50.3 million has been disbursed.

The contracting and the payment execution process for all the calls has been completed. Implementation of a third stage of the IPARD Programme, IPARD III, covering the period 2021-2027 is expected to commence following receipt of budget funds for implementation.

The following table sets forth certain information regarding Albania's agricultural sector for the years indicated.

Agricultural Production by Product[1]

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
Total utilised agricultural area (*thousand hectares*) [2]	1,166	1,166	1,136.8	1,136	1,045
Arable land	602	600	600	598	591
Land under permanent crops	*86*	*88*	*88*	*88*	*88*
Land under permanent meadows and pastures	*478*	*478*	*449*	*449*	*366*
Cattle	416	363	337	298	263
Pigs	184	158	159	137	115
Sheep and goats	2,621	2,332	2,256	2,093	1,846
Production and utilisation of milk on farms (*total whole milk, thousand tonnes*)	1,112	1,052	1,013	970	901
Crop production (*thousand tonnes, harvested production*)					
Cereals (including rice)	661	684	692	691	701
Wheat	233	233	225	233	234
Vegetables	1,258	1,296	1,338	1,358	1,384

Source: Ministry of Agriculture and Rural Development Albania

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) Figures include arable land, permanent meadows and pastures, permanent crops and kitchen gardens.

Agricultural Sector Reform

The Government's main policies for agriculture and rural development during the period 2021 to 2027 (The Strategy for Agriculture and Rural Development and Fisheries) (which is in line with the EU Common Agriculture Policy) provides a framework for the development of a viable and competitive agricultural and food processing sector and balanced economic development in rural areas. These policies are expected to pave the way for continued integration of EU agricultural and agro-processing sector policies and to serve as a basis for increasing standards of living in rural areas and, accordingly, reducing poverty. Policy initiatives implemented to date in this sector include investing in: (i) agricultural holding assets; (ii) physical assets relating to the processing and marketing of agricultural and fishery products; (iii) farm product diversification; and (iv) business development and technical assistance. EU grants have supported development and reform in the fisheries and agro-processing sectors, which have supported increased exports

of agricultural products in the year ending 31 December 2023. See "*Balance of Payments and Foreign Trade—Foreign Trade*".

In 2024, the Ministry of Agriculture and Rural Development called for applications for the National Agricultural Investment Scheme, a financial support scheme with a total fund of €15 million for 2024-2025, which provides investment for agriculture and rural development from the state budget .The National Agricultural Investment Scheme aims to support the sustainable development of the agricultural sector in Albania, increase production capacities and improve living conditions for Albanian farmers. At the end of the application period, 403 applications had been made.

Since 2020, a number of legal measures were adopted, including the "Law on Cadastre", which provides for a regulated and harmonised system of real estate registration, and the "Law on the completion of the transitional ownership processes in the Republic of Albania", which defines the procedures and the relevant state body responsible for the completion of transitional administrative-legal processes and for the registration of ownership titles for State and private immovable properties involving agricultural land. The implementation of these measures have begun. In addition, in 2023, amendments to the law protecting agricultural land were made and a law relating to the use of agricultural land for agrivoltaics and wind activities was adopted.

In July 2015, the Albanian Ministry of Agriculture, Rural Development and Water Administration entered into an agreement with Kreditanstalt für Wiederaufbau Development Bank ("**KfW**") and the European Union to establish the Rural Credit Foundation ("**RCF**"). The RCF's main objectives are to: (i) broaden access to finance for businesses operating in the agricultural sector; (ii) encourage financial institutions to provide finance to smaller agricultural companies at an early stage; and (iii) bring the productivity of the Albanian agricultural sector in line with that of other European countries. The scheme covers up to 70% of loan defaults, up to a maximum of €500,000. As at 31 December 2023, €60.3 million has been disbursed to 13,926 qualifying agricultural companies/farmers.

In July 2016, the European Bank for Reconstruction and Development (the "**EBRD**") and the Government launched the Albania Agribusiness Support Facility ("**AASF**"). This facility is aimed at enhancing access to finance for local agribusinesses by providing direct credit lines or by sharing the risk of lending to the agribusiness sector with partner commercial banks and non-bank microfinance institutions. The Government has made available €36 million over three years to support the facility. As at 31 December 2023, the Government had disbursed €22.3 million. The EBRD is providing up to an additional €134.2 million in funding and risk sharing facilities. As at 31 December 2023, the AASF has 6,323 loans disbursed loans totalling €133.2 million. See "*Public Debt—Multilateral Financial Institutions—European Bank for Reconstruction and Development*".

Agricultural exports for 2023 reached approximately U.S.$553.2 million.

Industry

Albania's industrial sector comprises principally manufacturing and extraction. Industrial output decreased by 2.4% in 2023, as compared to an increase of 8.2% in 2021.

Albania's manufacturing sub-sector includes primarily the manufacturing of food products, beverages and tobacco, textiles and textile products, electricity production, tanning and dressing of leather, luggage and handbags and wood and wood products. In 2023, the manufacturing sub-sector accounted for 6.9% of Albania's GDP, as compared to 7.5% in 2023.

The mining and quarrying industry comprises mining and quarrying of energy producing materials, mining of metal ores and other mining and quarrying. Chromium, ferro-nickel, copper, coal and oil and gas are among the most important sub-soil minerals in Albania. In 2023, the mining and quarrying industry accounted for 1.1% of Albania's GDP as compared to 2.2% in 2022.

In July 2021, the Council of Ministers approved a new Business and Investment Development Strategy 2021-2027, which replaced the strategy in place between 2014 and 2020. During 2024, following a review of the Business and Investment Development Strategy 2021-2027, the strategy was updated by the interministerial working group and its mission was revised to focus on: "*A competitive, more innovation-driven and knowledge-based Albanian economy, part of the European Union and the region, that creates new and higher-quality jobs for women and men tapping the potentials of the digital and green transition and the transformation of international value chains emphasising sustainable and equitable development.*" The strategy has three specific objectives: (i) investment attraction and internationalisation: to unlock investment potential for sustainable economic development and foster integration in international markets and value chains; (ii) SME development, entrepreneurship and innovation: to develop a dynamic, sustainable and integrated startup, entrepreneurship and innovation ecosystem; and (iii) human capital development: to explore new ways to foster collaborative human capital development ,with a focus on gender inclusivity, equal opportunities and the twin transition.

The Business and Investment Development Strategy 2021-2027 targets total investments of €77 million by 2027. Key areas of progress under the strategy for the period 2021-2024 include:

- ***Industrial policies:*** Under the framework of the "*Knowledge for Reform Action in the Western Balkans*" multi-year programme, the United Nations Office for Project Services is providing Albania with access to tailored expertise, knowledge and advice regarding best practice methods to assist with advancing its RA 2024-2027. The aim of the programme is to strengthen institutional, administrative and legislative frameworks and practices, with the objective of strengthening the Government's negotiating position.

- ***Access to finance:*** During 2024, the Albanian Investment Development Agency ("**AIDA**") implemented an access to finance in the state budget. Under this scheme, 71 applications from the production sector (agroprocessing, handicrafts, processing industry, textiles and leather-footwear) and 30 applications from the service sector (BPO, education, logistics and tourism) were granted finance.

- ***Outreach Campaign.*** AIDA has conducted several outreach campaigns in relation to the agricultural sector, in Türkiye, the manufacturing sector, in Germany and the tourism sector, in Spain. A further three outreach campaigns are expected to be developed in relation to the information communication technology sector, the agricultural sector and the technological and economic development sector in cooperation with TEDA Tirana sh.p.k during 2025.

- ***Assistance, mediation, addressing the interests of foreign companies***. Several activities were implemented by the Ministry for Europe and Foreign Affairs within the framework of providing assistance, mediation and addressing the interests of foreign companies for business and investment.

- ***"After-care" service.*** During 2021-2024, 72 meetings of the "after-care" service for investors were held. At the beginning of 2024, AIDA expanded cooperation with municipalities by signing a memorandum of understanding with Korça municipality, making it the 12th municipality with which AIDA cooperates and coordinates in terms of investor care.

- ***"E-commerce" service.*** AIDA has begun, in cooperation with the World Bank, implementing measures to increase e-commerce capacities. These measures include designing, publishing and presenting a "How to start an e-commerce business" guide, setting up a "Self-Assessment Tool questionnaire", as well as a series of trainings specifically dedicated to this initiative for the private sector.

- ***Creation and operation of a start-ups agency.*** An agency under the Ministry of Entrepreneurship and Business Climate, "Start-up Albania", was established in December 2023, with the mission of ensuring the proper functioning of the startup ecosystem and the development of innovative entrepreneurship. There are approximately 2,100 self-declared startups in the electronic register, managed by the "Start-up Albania" Agency.

- ***Strengthening the "start-up" ecosystem.*** Through the "EU for Innovation" project, work has been undertaken to develop the start-up and innovation ecosystem. New public and private actors are being encouraged to enter into the ecosystem.

- ***Programme for financing technology and innovation projects ("PTI").*** PTI was established in 2023. The programme is dedicated to the financing of projects that result from collaboration amongst universities and business.

- ***The new law on micro, small and medium enterprises.*** Adoption of the Law No. 43/2022 "On the development of micro, small and medium-sized enterprises", which provides for the establishment and implementation of a legal definition for MSMEs, the establishment of forms of state support for MSMEs, the establishment of rules for the design of a state loan guarantee scheme and the provision of public services by AIDA.

- ***Coordination of entrepreneurial skills programmes for SMEs.*** In 2021, AIDA became a partner in the "IDEA Challenge" project (promoting the development of entrepreneurial skills), assisting in all stages of its development, from promotion, evaluation of business plans and announcement of finalists. In 2023, AIDA became the main agency responsible for the Skills for Sustainable Employment and Inclusive Economic Growth of Cross-Border Region of Albania and Montenegro - Skills for Jobs Albania – Montenegro Project, a project financed by the EU, through IPA II.

- ***Regular conduct of "Training need assessments" by AIDA.*** To support MSMEs, AIDA periodically assesses private sector training needs through questionnaires. Typically, quesstionnaires are completed by 100 – 150 local SMEs each year, with the information provided used by AIDA to perform a statistical analysis of training needs.

Other policies and initiatives introduced by the Government to support SMEs include:

- ***Supporting business innovation and competitiveness, including through the COVID-19 pandemic:*** In 2020, funds managed by AIDA were administered directly by the Ministry of Finance and distributed in the form of support schemes to mitigate the impact of the COVID-19 pandemic. AIDA, together with the Ministry of Finance, established a working group to draft a new financial support scheme for SMEs. An online customer relationship management platforms have also been set up on AIDA's website, which contain details of approximately 1,064 businesses, aimed at increasing visibility to potential business partners. A new business-to-business platform is expected to launch in early 2025 on AIDA's new export platform.

- ***Promoting "Made in Albania" Products:*** In 2020, AIDA launched a campaign (including on social media) to promote "Made in Albania" products, with a particular focus on the domestic market given the trading difficulties imposed by the COVID-19 pandemic. As at 31 December 2023, 260 local products have been subject to the campaign. A discussion forum was also organised on promoting local products and strengthening the "Made in Albania" brand.

- ***Reducing the administrative burden placed on SMEs:*** In 2016, the National Business Centre (the "**NBC**") and the e-Albania online platform were established, which enable SMEs to access over 300 services online including registration, applications for permits or licenses, customs authorisations, tax filing and tax payments. Since 30 June 2020, all of the NBC's services have been offered online through the e-Albania portal. AIDA has prepared a guide aimed at SMEs that are looking to develop e-commerce and a self assessment tool has been added to the AIDA website, together with online training sessions. AIDA is also part of the contributing group responsible for the drafting of the E-commerce Work Plan for Albania 2023 – 2026.

- ***Strengthening the ability of SMEs to trade with the EU:*** Albania continues to align its infrastructure with that of the EU in key areas such as metrology. A roadmap is also being prepared to identify any remaining technical regulations requiring harmonisation. The staffing capacity of key infrastructure institutions has been strengthened and a support programme for SMEs seeking certification according to European or international standards has been expanded. Overall, these activities are aimed at improving the access for SMEs that need to certify their products, services or processes to conform with European standards and regulations, improving their ability to compete in the EU and other international markets.

- ***Supporting SME internationalisation.*** By developing export support services, the Government seeks to enhance export sophistication and innovation, while also boosting export competitiveness. In addition to support programmes, a working group has been established to draft a programme aimed at increasing exports during the period from 2023 to 2027.

- ***Reducing the regulatory burden placed on SMEs:*** In 2018, the Government introduced procedures for regulatory impacts analysis ("**RIAs**") when adopting or amending new or existing legislation.

- ***Managing and Implementing the Enterprise Europe Network Project:*** The Enterprise Europe Network is the largest network in the world, supporting SMEs by encouraging innovation and up-scaling. This network is co-financed under the Competitiveness of SMEs programme, an EU-funded programme designed to encourage the competitiveness of European enterprises. AIDA, through the implementation of the European Enterprise Network in Albania, enables business support, including: (i) international agreement support (*i.e.,* offering expertise, contacts and activities to connect Albanian companies with potential partners to grow their business); (ii) advice on international growth (*i.e.*, offering advice from experts on growth and expansion in international markets); and (iii) business innovation support (*i.e.*, offering solution-oriented services to help companies convert innovative ideas into international commercial successes). AIDA was responsible for managing the implementation of the European Enterprise Network until 2020. In 2021, another private consortium was selected to implement the project in Albania. To date, a grant agreement has not been signed and no financing has been requested, however, AIDA has been requested to become the lead partner from July 2024.

- ***Creating an ecosystem conducive to start-ups and innovation:*** In 2022, a dedicated innovation start-up law was adopted, which provides for a state-budget allocation to support innovation. Private-sector-backed initiatives have also been set up, providing acceleration programmes for high-potential start-ups, technical assistance, mentoring and investor relations training.

- ***Creating a supportive operating environment:*** The Government has continued implementing digital reforms and made progress in both increasing the availability of digital government services and streamlining those available to better fit users' needs. In particular, the Government has streamlined company registration and licensing processes through the National Business Centre and introduced digital distribution for licensing officials. In addition, an "access

to finance" platform was launched on the AIDA website with the support of the EBRD in May 2021. As at 31 December 2024, 169 calls had been published on the platform and 27,717 users have interacted with the platform, and the main webpage has been visited a total of 75.882 times.

- ***Attracting FDI:*** AIDA has played a principal role in attracting FDI in Albanian industry. As at 30 November 2024, AIDA had seven lead projects, which remain active, including six new leads with a combined investment value of €300 million.

Industrial Sector Reform

In recent years, the Government has been working to promote the processing of Albania's natural resources, including minerals such as nickel-silicate or quartzite and leather and to support the industrial sector by providing financial support to pre-feasibility assessments and technical-economic studies in cooperation with scientific research institutions.

The Government has also taken steps to encourage both foreign and domestic investment in Albanian businesses through the introduction of Law №. 55/2015 (the Law on Strategic Investments in the Republic of Albania, the "**Law on Strategic Investments**"). This law provides legal guarantees to foreign investors and is aimed at: (i) reducing contractual and legal risks for foreign and domestic investors; and (ii) adopting fast-track procedures, achieved by AIDA assisting investors with all administrative and bureaucratic procedures until the completion of the investment project. The strategic investments made vary in value from €1 million to €50 million. In some sectors, principally tourism and agriculture, this investment has led to an increase in the number of jobs available. During 2022 and 2023, ten strategic projects were approved by the Strategic Investment Committee (primarily in the tourism and agriculture sectors), with 12 projects rejected. AIDA is currently assisting with the preparation of application documents for five strategic projects. During 2023, the Investment and Aftercare Sector of AIDA held a total of 35 meetings with entities operating across various sectors.

In 2019, the Government passed Law №. 32/2018 (the National Strategy for Diaspora Law). The strategy, to be implemented by the Albanian Development Fund for Diaspora, aims to provide and allocate financial resources to promote socio-economic and cultural development, philanthropy and investment to support the development of business in Albania and abroad. The operations of the Albanian Development Fund for Diaspora have been frozen since 2021.

The Government has also taken steps to promote economic development through the creation of Technology and Economic Development Zones ("**TEDA**"). The Ministry of Finance (upon receiving approval from the Council of Ministers on 20 March 2020), entered into a contract with the property developer Italdruri Elbasan LLC to construct, maintain and operate a TEDA in Elbasani. In May 2020, the Municipality of Tirana was granted the status of strategic investor in respect of another TEDA, in Kashar. In November 2022, a TEDA in Tirana was approved by the Council of Ministers, to conduct activities in the automobile industry and the information and communication technology industry. In May 2024, Tirana Council of Municipality approved the establishment of TEDA TIRANA sh.p.k. as a legal entity owned by the Municipality of Tirana.

The Government is also developing a unified law on investments to replace the Law on Strategic Investments. The draft unified law on investments is in the consultation phase and is being shared with the various interested ministries for review and comment.

Construction

The construction sector has been a significant contributor to Albania's economic growth over the past ten years, as the sector has benefited from high levels of both private and public investment. The construction sector accounted for 12.2% of GDP in 2023, as compared to 11.6% of GDP in 2022.

During 2023, construction activity increased by 14.9%, which was primarily due to new construction projects. During 2023, a total of 1,602 building permits were issued for new buildings, as compared to 1,420 building permits in 2022, reflecting an increase of 12.8%.

Financial and Insurance Activities

The contribution of financial and insurance activities to the Albanian economy has been relatively stable (as a percentage of GDP) between 2019 and 2023. Financial and insurance activities accounted for 1.6% of GDP in each of 2023 and 2022. See "*Monetary and Financial System—The Albanian Banking Sector*".

NPLs accounted for 4.2% of the banking sector loan portfolio as at 31 December 2024, as compared to 4.7% as at 31 December 2023, 4.7% as at 31 December 2022, 5.0% as at 31 December 2021 and 5.6% as at 31 December 2020. The reduction of NPLs has been, and continues to be, a key focus of the Bank of Albania's supervision activities. Bank lending is financed predominantly with deposits.

The bank lending portfolio is dominated by foreign currency lending (principally in Euros), which represented 43.6% (including approximately 42% of the total foreign currency amount denominated in Euros) of total loans as at September 2024. This ratio has been declining since 2018. In particular, the high Euroisation of the banking sector has increased the vulnerability of the banking sector and led the Ministry of Finance, the Bank of Albania and the Albanian Financial Supervisory Authority (the AFSA) to adopt a de-Euroisation policy.

See "*Monetary and Financial System—The Albanian Banking Sector*" and "*Risk Factors—Risks relating to the Republic—Domestic Banking Sector*".

The following table sets forth certain information on the banking sector, including with respect to credit granted to the economy ("**CE**"), as at the dates indicated.

Credit to the Economy

	As at 31 December					As at 30 September
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(%)					
CE[1] (total)/GDP[2]	33.3	36.8	35.7	33.2	31.4	33.1
CE[1] (foreign currency)/GDP[2]	15.9	17.4	17.1	16.0	13.6	13.9
CE[1] (domestic currency)/GDP[2]	17.4	19.4	18.6	17.2	17.8	19.1
CE (total)/deposits[3]	49.4	48.9	48.7	49.1	48.5	51.4
M3/GDP[2][4]	77.0	88.0	84.8	77.2	71.7	70.5
Total deposits/GDP[2]	67.4	75.1	73.3	67.6	64.7	64.4

Source: The Bank of Albania

Notes:
(1) CE represents total credit to residents.
(2) GDP figures are nominal GDP.
(3) Deposits represent total deposits of Albanian banks.
(4) See "*Monetary and Financial System—Money Supply*".

As at 30 September 2024, total CE was 51.4% of total deposits, as compared to 48.5% as at 31 December 2023.

Total CE as a percentage of GDP increased from 33.3% as at 31 December 2019 to 36.8% as at 31 December 2020, before decreasing to 35.7% as at 31 December 2021, 33.2% as at 31 December 2022, 31.4% as at 31 December 2023 before increasing to 33.1% as at 30 September 2024.

See "*Monetary and Financial System—Monetary Policy*" and "*Monetary and Financial System—The Albanian Banking Sector—Non-Performing Loans*".

Energy

The energy sector is a priority reform sector for the Government. As much as 99.0% of Albania's domestic electricity production is from hydroelectric sources, which causes Albania's actual annual electricity production to fluctuate and can have a significant impact on economic performance. Albania imported 1,922 gigawatt hours ("**GWh**") (or 18.9% of its total energy consumption) from various sources in 2023, including hydropower sources, under long-term supply contracts, while energy exports in 2023 were 2,842 GWh, resulting in a net export balance of 920 GWh. Energy imports have fluctuated in recent years, from net imports of 921 GWh (or 11.6% of total consumption) in 2022, to 920 GWh of net exports in 2023, due to good hydrological conditions. During 2020 there was a net import of 2,276 GWh (or 29.9% of total consumption), whereas in 2021 there was a net export – import balance of 548 GWh. This fluctuation is primarily due to seasonal variations in the weather. See "*Risk Factors—Risks relating to the Republic—Energy, Food and Water Security Risks*".

Albania, in common with other importers of energy in Europe, is facing high domestic energy prices, because of rising international energy prices. On 8 October 2021, the Council of Ministers declared an energy state of emergency in relation to the energy crisis. As a result of the war in Ukraine and the related increase in the price of crude oil and its by-products,

the energy state of emergency was extended in October 2022 until 30 June 2023 and again in July 2023 to 31 December 2023. In March 2022, the Government ordered all cities to turn off lights in public buildings and on the streets, in an attempt to tackle the energy crisis caused by drought and power price spikes caused by the war in Ukraine. In October 2022, the EU pledged €80 million in grants to Albania to help tackle the energy crisis, as part of a wider support package provided to the Western Balkans by the EU. An agreement in respect of the €80 million grant was signed on 15 March 2023. See "*Risk Factors—Risks relating to the Republic—Albania is a Net Energy Importer*". The amount allocated for energy support in the 2022 budget was €80 million.

As a result of the energy state emergency, KESH, TSO and the OSHEE Group were required to suspend their non-essential investment plans until 15 April 2022. In March 2022, the Government passed Normative Act №. 5 "On some additions to Law 8450, dated 24.02.1999 "On the processing, transportation and trading of oil, gas and their by-products" as amended, which was aimed at managing rising prices by determining the wholesale and retail trading price of oil by-products in the Albanian market and is currently still in effect. In March 2022, the Prime Minister presented the Social Resistance Package, which is aimed at mitigating the impact of the global energy crisis, as well as the impact of the war in Ukraine on prices by introducing measures with immediate effect to offset the rising prices of basic food items for retired people, families in need of economic assistance and individuals with disabilities. The package provides support to farmers and small businesses and funds the energy price shield for household consumers and small businesses. As a result of the recent and ongoing risks and uncertainties in the energy markets, in each of March, July and December 2022, the Government amended the 2022 budget law through normative acts aimed at providing subsidies totalling ALL 19.9 billion to combat inflated food and energy prices, including ALL 1 billion in financial aid for all beneficiaries of the economic assistance and disability scheme, ALL 1.2 billion in financial aid for all public administration employees, ALL 500 million in support to farmers in relation to the cost of wheat, ALL 1.2 billion in support to farmers and the fishing sector in relation to the cost of oil and ALL 0.6 billion in support to the public transport sector in relation to the cost of oil.

Since June 2022, the Albanian electricity market has operated in accordance with decision of the Council of Ministers pursuant to which KESH is required to supply the universal service supplier with amounts needed to fulfil the requirements of universal customers, while free trade suppliers are required to sell electricity to cover the distribution losses of the distribution operator. Since 1 January 2024, the Albanian Transmission System Operator has been obliged to purchase the transmission losses through the Albanian Power Exchange.

Electricity production capacity in the hydroelectric sector has increased in recent years, in part, due to the establishment of new power plants, including Banja (accounting for 72 MW) and Moglica (accounting for 183 MW), Ayen Energy in Fani river (accounting for 118 MW) and other small hydroelectric power plants.

In 2023, total electricity production was 8,796 GWh, as compared to average production of 6,770 GWh between 2009 and 2023 and record production of 8,552 GWh in 2018. Power plants operated by KESH accounted for approximately 5,131 GWh, or 58.3%, of the total electricity production of Albania in 2023, while other producers produced 3,644 GWh, or 41.7%, of the total electricity production of Albania in 2023. Albania is generally a net importer of electric energy.

See "*Balance of Payments and Foreign Trade—Financial Account—Major FDI Projects*".

In June 2020, the Moglica power plant started commercial operations, with a capacity of 184 MW.

In 2020, the Ministry of Infrastructure and Energy signed a Project Development Agreement with Voltalia a.s. for the construction of a photovoltaic plant in Remas – Karavasta, with an installed capacity of 140 MW, of which 70 MW, as part of support measures, is expected to be supplied at a price of €24.9 MWh for 15 years, and 70 MW will be traded in the free market. On 1 July 2022, Voltalia began construction. On 15 November 2022, the EBRD approved a senior loan of up to €33 million to finance the construction and operation of the Karavasta Solar Power Plant, which has been in operation since January 2024.

In March 2021, the Government entered into a memorandum of understanding with U.S. companies Excelerate Energy and ExxonMobil to conduct a feasibility study for the development of a liquid natural gas project in Vlora, including the conversion or expansion of the existing Vlora thermal power plant. On 22 June 2022, the Government signed two memoranda of cooperation with the government of Kosovo in respect of the development of the Vlora liquified natural gas terminal. On 19 July 2022, Bulgarian company Overgas entered into a contract to purchase up to one billion cubic meters ("**bcm**") of regasified liquified natural gas annually for ten years from Excelerate Energy via the Vlora liquified natural gas terminal and the proposed Vlora-Fier pipeline. When constructed, the Vlora-Fier pipeline is intended to allow natural gas to flow from the TAP to the Vlora thermal power plant in Albania. Construction began in respect of the Fier and Elbasan 3 substations in September 2023.

In May 2021, the Government entered into a concession contract with Voltalia to build and operate a 100 MW photovoltaic power production plant in Spitalla. The Ministry of Infrastructure and Energy launched a competitive procedure for the construction of the photovoltaic park, with an installed capacity of 100 MW, of which 70 MW, as part

of support measures, is expected to be supplied at a price of €24.9 euros/MWh, for 15 years, and 30 MW will be traded in the free market. The project agreement and power purchase agreement were signed in June 2021. The bidder is in process of collecting the required permits for the project.

Construction of the Skavica HPP is seen by the Government as an important step towards increasing energy security, reducing electricity imports and increasing the efficiency and production of energy from other HPPs on the Drin River Cascade. In July 2021, KESH and Bechtel entered into a contract for the first phase of the construction of the Skavica HPP, following the signing of a memorandum of understanding between the Government and the U.S. government in October 2020. The technical components of the first phase of the project such as topography, hydrology, geology and geotechnical studies have been completed and the environmental impact assessment is ongoing.

The Devoll hydro power plants project is also a flagship project in the Albanian energy sector, which is expected to expand Albania's electricity generation capacities to a total production capacity of approximately 789 GWh annually. See "*Balance of Payments and Foreign Trade—Financial Account—Major FDI Projects*".

The following table sets forth certain details of Albania's energy sector for the years indicated.

Energy Production and Consumption[1]

	For the year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(TOE thousands, except as indicated)[2]				
Primary production of all energy products	1,727	1,480	1,773	1,615	1,773
Crude Oil	1,005	758	712	657	642
Hard coal and lignite	31	42	80	149	161
Natural gas	64	49	49	13	39
Net imports of all energy products	2,406	2,276	1,452	1,532	1,435
Gross inland energy consumption	2,750	2,957	2,227	2,177	2,173
Electricity generation (*thousand GWh*)	5,208	5,313	8,962	7,002	8,796

Source: National Agency of Natural Resources

Notes:
(1) Certain figures in this table have been revised and may differ from previously published data.
(2) TOE means "tonnes of oil".

The main objectives of Albanian energy policy are to increase the security of electricity supply for all customers and to increase the diversification of energy sources for electricity production. Domestically-produced energy is generated exclusively by hydropower, and, accordingly, diversification is achieved only through the import of electricity. See "—*Energy Sector Reform*".

Albania's dependence on hydropower for its electricity generation, makes it increasingly vulnerable to unfavourable hydrological conditions in the summer, especially in terms of the anticipated effects of climate change in the Western Balkans region. In addition to the fact that production is not constant, electricity from domestic hydropower is not sufficient to meet current needs and energy imports typically account for 20-30% of demand. Accordingly, guaranteeing the security of electricity supply remains a challenge, and Albania is implementing measures to increase investments in renewable energy projects other than hydropower. By the end of 2022, there were 48 MW of solar plants installed. During 2023, a total of 12 plants with an installed capacity of 26 MW entered the production phase, of which 7.00 MW was in respect of hydro plants and 18 MW was in respect of photovoltaic plants. Electricity production realised by the plants that entered production during 2023 accounts for approximately 0.4% of total domestic electricity production for 2023. The number of the independent producers of electricity is growing each year, supporting diversification of the sector, as well as energy security.

Total electricity consumption for 2023 was 7,875,861 MWh, which was approximately equal to consumption in 2022. However, electricity consumption for 2023 decreased by 538,975 MWh, or 6.4%, as compared to consumption of 2021. This decrease in total electricity consumption is reflected across all categories of consumers, but particularly for consumers who are supplied in the unregulated market, which for 2021 was approximately 1,361 GWh of electricity, for 2022 was approximately 929 GWh of electricity and for 2023 was approximately 858 GWh.

The financial condition of KESH, the state-owned electricity generation company, has remained challenging given the various challenges to the energy market. KESH supplies approximately 55%-60% of Albanian customers' demand for electricity and is also responsible for the administration of the power plants it operates. In July 2016, the EBRD entered into a €218 million loan with KESH to support its restructuring and reform efforts. The loan matures in 2031 and benefits from a sovereign guarantee issued by the Government. Under a sub-agreement between KESH and OSHEE that entered

into force in 2017, OSHEE is required to pay back all debt to KESH through annual instalments of ALL 2.4 billion. While EBRD loan repayments have been paid as scheduled by KESH or by the Ministry of Finance on its behalf, OSHEE did not satisfy all payments under the sub-agreement. A rescheduling plan was signed on 28 July 2021. See "*Public Debt—Multilateral Financial Institutions—European Bank for Reconstruction and Development*".

In 2022, Albania and KESH entered into a loan agreement with KfW for the rehabilitation of the Fierza hydropower plant. The loan from KfW was complemented by a grant of €8.4 million under the Western Balkans Investment Framework (the "**WBIF**"). In addition, the German government is providing a grant of €2 million to KESH. Following completion of the consultant's report, KESH requested additional financial support in the amount of €40.0 million for the complete rehabilitation of Fierza hydropower plant.

Drought conditions since 2017 have had a significant negative impact on hydroelectric power generation in Albania. Both KESH and OSHEE experienced financial difficulties in 2019, due, in part, to the longer than usual dry season, which lasted for the majority of the year. Unfavourable weather conditions continued in 2020, and the sector was also impacted by the COVID-19 pandemic, including the temporary closure in March and April 2020 of certain production and service activities, with household consumption of electricity (which is less profitable) increasing. Weather conditions and, consequently, production improved in the first half of 2021, with net public production of 5.3 TWh, as compared to 3.1 TWh in the corresponding period of 2020. Accordingly, OSHEE and KESH recorded a net profit of ALL 2.5 billion and ALL 4.0 billion, respectively, in the six months ended 30 June 2021. However, in the second half of 2021, weather conditions deteriorated and, as a result, the energy supplied by KESH and private providers decreased. Accordingly, OSHEE was forced to purchase energy on the free market and, due to price surges, OSHEE paid an average price of ALL 25/kWh, as compared to an average price of ALL 6.3/kWh in the first half of 2021. As a result, energy expenditures increased by ALL 20.1 billion in 2021, as compared to 2020 and OSHEE realised a net loss of ALL 15.5 billion. As a result of the Government's interventions in the energy sector in 2022, OSHEE's energy purchase expenses decreased by approximately ALL 9.3 billion and its revenues increased by ALL 8.7 billion in 2022, as compared to 2021. According to preliminary estimates, OSHEE realised a profit of approximately ALL 5.7 billion for 2023 and is expected to realise a profit of approximately ALL 7.2 billion for 2024.

Energy Sector Reform

The Government has been pursuing an ambitious energy sector reform project to increase production capacity, transmission capacity and distribution and to reduce technical and non-technical losses across the distribution network, by improving the legal framework and implementing changes to the Penal Code. In 2018, the Government adopted its National Energy Sector Strategy 2018-2030, which targets regional integration and diversification of the sector and includes plans for developing all energy resources, including renewable sources. In December 2021, Albania was the first Western Balkan country to approve a National Energy and Climate Plan 2020 – 2030 (the "**NECP**"). The NECP aims to reduce greenhouse gas emissions by 18.7%, increase energy efficiency by 8.4% and increase the share of renewable energy to 54.4% of total energy demand. The Government is currently preparing amendments to the NECP, in line with the recommendations of the Energy Community Secretariat, which are expected to be approved during the first quarter of 2025.

The most recent reform measures taken by the Government in the energy sector include:

- Annual electricity distribution losses have decreased from 31.3% in 2015 to 18.9% in 2023. However, the amount of annual electricity distribution losses in 2023, increased to 2.2%, as compared to 2.1% in 2022.

- Efforts have also been made to increase the bill collection rate for electricity distribution. In 2023, total collections represented 99.4% of invoiced electricity, an increase, as compared to 98.0% in 2022.

- Since March 2020, all clients connected to the 35 kV grid, with the exception of state institutions that provide public health services (hospitals and emergency centres), companies that provide drinking water to consumers, the prison sector and state institutions that carry out activities related to the production, transmission, distribution and supply of electricity, are supplied with energy in the liberalised market. Since January 2022, customers connected to the 20/10/6 kV grid must be supplied with energy in the liberalised retail market and have the right to find their own supplier. If customers do not find another supplier, FSHU is the supplier of last resort for a two-year period. At the end of this period, the system operator should interrupt power supply to the customer. Due to the energy crises in 2022 and 2023, such customers have instead been connected to the medium voltage grid, subject to a price of ALL 18.6/kWh. Since 1 January 2024, all customers connected to the 20kV grid must be supplied with energy in the liberalised market. Initially in order to guarantee supply continuity, energy has been supplied by the Free Market Supplier FTL sh.a, (part of OSHEE). Customers connected to the 10 kV grid continue to be supplied by the supplier of last resort until 1 January 2025.

- Completion of the restructuring of OSHEE in December 2019, to separate energy supply from distribution services. Following this unbundling, OSHEE manages and co-ordinates the three new companies. The Government has also encouraged OSHEE and other state-owned companies in the energy sector to undertake corporate governance reforms.

- In February 2017, the Assembly passed legislation permitting the establishment of the Albania Power Exchange ("**ALPEX**"). ALPEX was established in October 2020 by OST (owning 57.25% of the shares) and the Kosovan transmission system operator, KOSTT (owning 42.75% of the shares) and went live on 11 April 2023. ALPEX aims to facilitate sales and purchases of energy at prices that reflect market value and to eliminate the need for public tenders. In July 2023, ALPEX was appointed as the nominated electricity market operator for both Kosovo and Albania. The launch of the day-ahead market in Kosovo provides a transparent price signal for investments in renewable energy. On 1 February 2024, ALPEX held its first day-ahead auction for electricity delivery in Kosovo. The coupled intraday market went live on ALPEX in December 2024, providing an additional instrument for further spot market development.

- In March 2018, the Government announced the adoption of a National Energy Strategy for 2018-2030, which promotes low emission developments and creates opportunities for private sector investment and clean growth. Pursuant to the strategy, the Government aims to: (i) reduce power distribution losses from 26.4% in 2017 to 10% by 2030; (ii) improve the collection rate of power bill payments from 90% in 2018 to 98% by 2030; and (iv) reduce greenhouse gas emission by 11.5% by 2030 (in line with the Paris Agreement (within the United Nations Framework Convention on Climate Change), which was signed in September 2015 and ratified in May 2016). The strategy was drafted with the support of international donors, including the United States Agency for International Development.

- A new law "On the promotion of the use of renewable sources", which is based on Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources was adopted by the Albanian Parliament on 14 April 2023. The law defines the legal framework for promoting the use of energy produced from renewable sources, setting national objectives and reporting obligations regarding the share of energy from renewable energy sources in relation to final gross energy consumption, rules on information, statistics, certification, cooperation mechanisms, support, rules related to access and operation of networks for renewable energy sources and their connection to the electricity grid, rules on granting, transferring and cancelling guarantees of origin for energy produced by renewable sources, as well as rules for the integration of self-consumers from renewable energy and energy communities in the electricity sector. The law revised support schemes for the use of renewable energy sources, abolishes the feed-in tariff system, introduced new auction schemes in line with Directive (EU) 2018/2001, envisages the establishment of the Renewable Energy Operator, and establishes an annual net-billing scheme, which replaces monthly net-metering.

The Government's fiscal support to the power sector has increased in recent years due to the increase in foreign financing to support projects in this sector. The Government also plans to increase regional co-operation (including through the development of infrastructure projects (see "*—Infrastructure Development*")) to further reform the energy sector.

Infrastructure Development

A number of major infrastructure projects are also ongoing or planned in the energy sector:

- ***Wind electricity generators.*** The Ministry of Infrastructure and Energy has announced a competitive bidding process for wind electricity generators with installed capacities from 10 MW to 75 MW. The Ministry of Infrastructure and Energy is expected to select projects with a total capacity of 100 MW, which will benefit from support measures. The contracting authority may later decide to increase the total tendered capacity up to 150 MW. The first phase of this process has been completed and three bidders have been awarded a total of 222.5 MW in installed capacity. The Ministry of Infrastructure and Energy in January 2024, announced the competitive procedure for the selection of projects for several photovoltaic plants, each with an installed capacity between 10 MW and 100 MW (inclusive), which will benefit from support measures, for a maximum capacity of 300 MW. The first phase contracts were awarded in June 2023 and the last phase of economic offers took place in July 2024. Three bidders have been awarded a total of 222.5 MW in installed capacity.

- ***Construction of the Trans-Adriatic Pipeline (the "TAP").*** The TAP will transport natural gas from the Turkish-Greek border through South Eastern Europe to its tie-in point in Southern Italy. In 2016, the first phase of TAP's road infrastructure rehabilitation in Albania was completed. The participants in TAP are BP, State Oil Company of the Azerbaijan Republic ("**SOCAR**"), Snam S.p.A, Fluxys, Enagás and Axpo. TAP is expected to have a direct impact on the Albanian economy commencing in 2017, with expected contributions to GDP and the creation of approximately 3,500 jobs (of which 85.2% are expected to be in Albania). Construction of the TAP cost approximately €1.5 billion, of which 20% was invested by BP, 20% by SOCAR, 20% by Snam, 19% by Fluxys, 16% by Enagás and 5% by Axpo. This activity

is also expected to raise revenue for the Government, both in direct financing and through indirect projects. The TAP commenced operations in December 2020, with transmission capacity of 7 bcm between December 2020 and September 2021. In November 2022, the TAP transmitted 15 bcm of natural gas from Azerbaijan to Europe, of which approximately 8.5 bcm was delivered to Italy. Vlora thermal power plant (built with financing from the EBRD of €40 million, EIB financing of €40 million, and World Bank financing of €20.5 million) has not been put into operation since its completion in 2011. This is due to a failure in the plant's cooling system that has not been repaired. The conversion of the Vlora power plant from oil use to gas use once it is connected to the TAP is encouraged. This would contribute to stabilizing the generation of electricity during droughts in the southern part of Albania.

- ***Construction of the Ionian Adriatic Pipeline (the "IAP").*** The IAP will transport natural gas between Albania, Montenegro, Bosnia and Herzegovina and Croatia and was initially expected to be connected to the TAP. The construction of the Albanian section of the pipeline was expected to begin in 2025, and the length of IAP is expected to be 516 km with capacity to transport 5 billion cubic metres of natural gas per year. Construction of the IAP is expected to cost a total of approximately €615 million. In February 2018, a memorandum of co-operation was signed by the IAP participants to establish a project company to construct the IAP. The participants in IAP are Plinacro of Croatia, Albgaz of Albania and Montenegro Bonus of Montenegro. The project is currently stalled due to the geopolitical situation regarding the war in Ukraine, construction costs and natural gas market developments.

- ***Albania – North Macedonia Interconnection Line.*** Contracts for construction of the first and second phases of the 400 kV interconnection line between Albania and North Macedonia entered into force in March 2021 and July 2021, respectively. Construction of the first phase commenced in February 2022 and was completed in 2023. Construction of the second phase began in December 2023 and is expected to be completed in 2025. This project is being financed by: (i) a loan of €50.0 million from KfW; (ii) a grant of €14 million from WBIF; (iii) a grant from the German government of €575,000 to be used for expert services; (iv) a detail design grant of €600,000 from WBIF for the detail design phase of the project; and (v) funds of €5 million from OST SA. Due to increases in international metal prices, as well as of labour and transport costs, there have been difficulties and delays agreeing contracts with manufacturers and suppliers for the purchase of goods and materials. A cost escalation formula has been approved by KfW and an amendment to the construction contract was signed in February 2023.

- ***400 kV interconnection line Albania (Fieri) – Greece (Arachtos).*** Construction of a new 400 kV interconnection line Albania (Fieri) – Greece (Arachtos), with a length of approximately 125 km is planned. This project aims to strengthen the connection between the electrical transmission systems of Albania and Greece and increase the net transmission capacity of the Albanian grid by allowing the increase of energy exchange between the two countries and reducing technical challenges in the framework of the liberalization of electricity market. The project has been identified as a priority investment in the mid-term for the Albanian Transmission Grid Development. Expected investment for the Albanian portion is expected to be €63.6 million. The lead financial institution for this project is KfW, and the grant amount is €1.1 million. A technical assistance grant from the World Bank was approved in June 2023. Construction began in respect of the Fier and Elbasan 3 substations in September 2023.

Albania has deposits of petroleum and natural gas and proven oil reserves of approximately 437 million tonnes (according to figures published in the Strategy of Energy 2018-2030). The major oil fields in Albania include the Patos-Marinza heavy oil field and the Kuçova heavy oil field. Since 2017, Albania has had agreements in place with Shell and Eni S.p.A for the exploration and production of oil within Albania. Shell has drilled a number of wells in the Shpiragu mountain complex, announcing in May 2019 the potential of a significant light oil discovery in the Shpiragu-4 well. Shell is still in the appraisal period and is currently drilling the Shpiragu-5 well. Results are expected in mid-2024. In December 2019, Eni S.p.A. signed an exploration and output-sharing deal with the Government for the Dumre block in central Albania. Eni S.p.A. has concluded its seismic studies and expects to start drilling the first exploration well in 2025. In June 2022, EDG Natural Gas signed development and production sharing contracts for the existing gas fields of Povelca and Frakulla.

Services

The services sector is the largest sector in the Albanian economy. It consists of trade, hotels and restaurants, transport post and communications and other services. The services sector as a whole represented 48.0% of Albania's GDP in 2023 and 46.2% in 2022. The trade, hotels and restaurants sub-sector increased to 15.8% in 2023, as compared to 14.5% in 2022.

Tourism

Tourism is one of the most important components in Albania's services sector. In 2023, the travel and tourism sector recorded a total contribution (including indirect multiplier effects, such as the wider effects from investment, the supply chain and induced income impacts) of ALL 564.7 billion (or approximately 24.6% of GDP). The direct contribution of travel and tourism to GDP in 2023 was ALL 244.7 billion, accounting for approximately 10.7% of GDP, according to the World Travel and Tourism Council ("**WTTC**"). This positions the sector as one of the main contributors to economic growth, and it is projected to grow over the next ten years. In 2023, the travel and tourism sector created approximately 106,012 jobs, representing approximately 8.3% of total employment in Albania, according to information published by WTTC. These statistics include employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services), as well as restaurants and leisure industries directly supported by tourists. The total contribution of travel and tourism to employment (including the wider effects of investment, the supply chain and induced income impacts) was 268,666 jobs in 2021, representing approximately 21.0% of total employment in Albania.

Albania's largely undeveloped coastline, mountains and historical heritage, as well as its location in Southern Europe, less than two hours' flight time from a number of high-income countries, makes tourism a potential growth sector for the Albanian economy.

The tourism sector was negatively affected by the COVID-19 pandemic and the related restrictions on travel in 2020 and in 2021. In 2020, as a result of COVID-19-related travel restrictions, arrivals of foreign citizens decreased by 58.5% (to 2.7 million), as compared to 2019 (6.4 million). In 2022, arrivals of foreign citizens increased by 32.6% (to 7.5 million), as compared to 2021 (5.7 million). This increase continued in 2023, with arrivals of foreign citizens of 10.2 million, an increase of 34.6%, as compared to arrivals of foreign citizens in 2022. The increase in arrivals of foreign citizens in 2023 was primarily due to an increase in arrivals from Europe.

In 2023, 1,817 accommodation facilities (hotels, motels, camps, guesthouses, mountain shelters and other short-term accommodation facilities) were operating, with approximately 57,778 rooms and 129,698 beds available, according to information published by INSTAT.

The following table sets forth certain details regarding the tourism sector for the periods indicated.

Tourism Activities[1]

	For the year ended 31 December					For the six months ended 30 June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
Total Arrivals (*thousands*)	12,104	5,419	9,617	13,010	17,116	6,348	8,093
Albanian	5,698	2,762	3,928	5,466	6,970	2,952	3,545
Foreign	6,406	2,657	5,689	7,544	10,156	3,397	4,548
Africa	24	2	3	5	11	5	12
America	157	30	116	177	241	85	114
East Asia and Pacific	68	5	8	27	67	22	35
Middle East	12	2	37	42	40	11	10
South Asia	14	1	21	11	15	6	13
Europe[2]	5,796	2,616	5,173	6,922	9,728	3.256	4,311
Other[3]	335	1	329	369	52	10	32
Total Number of Nights spent in Accommodation Establishments in Albania *(millions)*	3.3	1.6	3.2	3.8	6.0	1.7	2.3
Tourism Income (*€ millions*)	2,083	988	1,912	2,840	4,196	1,131	1,578

Sources: INSTAT and Bank of Albania

Notes:

(1) Certain figures in this table have been revised and may differ from previously published data.

(2) Europe includes regions such as: Southern Europe, Western Europe, Central and Eastern Europe, Northern Europe and East/ Mediterranean Europe.
In 2023, 79.6% of tourist arrivals arrived from Southern Europe, 7.7% from Western Europe, 6.6% from Central and Eastern Europe, 3.9% from Northern Europe and 2.2% from East/ Mediterranean Europe.

(3) Other includes not specified World countries.

According to statistics published by the WTTC, travel and tourism is expected to have attracted capital investment of ALL 34.3 billion in 2023, as compared to ALL 30.1 billion in 2022 and ALL 23.8 billion in 2021. Visitor exports are a

key component of the direct contribution of travel and tourism, with visitor exports of ALL 463.9 billion generated in 2023, as compared to ALL 355.7 billion in 2022.

Policy initiatives in the tourism sector are focused on making Albania an attractive and sustainable destination for tourists. The NSDEI has identified the green transition, digital transformation and competitiveness as key challenges to the travel and tourism industry in Albania. The NSDEI encourages the continued development of middle-to high-end sustainable tourism through the following strategic goals: (i) encouraging and developing digital networks and services arising from them, as well as co-ordinating with the private tourism sector, technology providers and innovators; (ii) implementing investments that turn protected areas into natural parks with suitable infrastructure for their visitation, creating a sustainable economy; (iii) establishing a national tourism education system with a contemporary professional curriculum; and (iv) developing services related to marine tourism and the development of destination holidays and events.

To further diversify the tourism offering in Albania, from 1 January 2019, the Government has: (i) reduced the rate of income tax applied to accommodation and food services that are certified as agri-tourism to 5% for a period of ten years; and (ii) introduced an exemption from infrastructure tax for certified agri-tourism entities. As at 30 November 2024, more than 90 entities had been certified or pre-certified as agri-tourism entities.

In April 2021, the second international airport in Albania was opened in Kukes. Construction of a third international airport in Vlora has begun. Construction of a fourth international airport at the existing airfield in Gjirokastra (previously planned for Saranda) has also been announced. See "—*Transport and Infrastructure*".

In October 2024, the Government launched the National Tourism Strategy 2024-2030, which identifies six key tourism clusters: the Adriatic Coast, the Northern Inland, Tirana City, the Central Region, the Ionian Coast and the Southern Inland. The strategy focuses on tourism products for each region, with the aim of creating a more tailored experience for tourists and identifying the development of primary and secondary tourism products. The strategy also encourages private investment by offering fiscal incentives and easy access to favourable credit conditions for businesses and investors in the sector. As part of the strategy, the Government targets increasing the number of registered accommodation beds to 477,000 by 2030, from 270,000 in 2023 (a targeted increase of 76%). The strategy also targets increasing tourism sector jobs by 42.1% from 42,000 people in 2023 to more than 73,000 jobs in 2030. The strategy aims to reduce the pressure on Albania's peak summer season by extending tourist stays outside of the traditional peak summer months through a diversified tourism offering.

In November 2016, the World Bank approved a loan of U.S.$71 million in respect of an Integrated Urban and Tourism Development Project aimed at improving urban infrastructure, enhancing tourism assets and strengthening institutional capacity to support tourism-related economic development in selected areas in the south of Albania. The project, which began on 30 April 2017 following the ratification of the loan agreement by the Assembly, is expected to be completed on 31 July 2027. Construction work to improve infrastructure is currently underway, with work taking place on the public promenade in Saranda and on the access road to Berat Castle. Certain work has been completed, including rehabilitation of the Berat Castle pedestrian access cobblestone road, improvements to street lighting in Permet, rehabilitation of public staircases in Saranda, rehabilitation of the Gjirokastra Bazaar cobblestone roads and the delivery of solid waste equipment for the Himara transfer station.

Transport and Infrastructure

The transport sector accounted for 2.9% of GDP in 2023 and 2.9% in 2022.

Although recent measures have been adopted to improve the transportation infrastructure, Albania has a limited railway system and only two international airports (although two further airports are under construction). As a result of Albania's mountainous terrain and poor road conditions, the transportation of goods by land is arduous and costly.

In November 2016, the national transport strategy and action plan for 2016-2020 was adopted, which is intended to develop a sustainable transport network and improve energy efficiency. Albania is currently preparing the National Transport Strategy and Action Plan 2030, based on the NSDEI's policy objectives and alignment with the EU "Sustainable and Smart Mobility Strategy"

An evaluation of the airport network is ongoing, with the aim of developing a network that will: (i) cover domestic, regional and intercontinental operations; (ii) give Albanian tourism the necessary boost to become an economic pillar of the country; (iii) create jobs for thousands of Albanian citizens and (iv) increase the economic development of local communities. In March 2021, a consortium led by Switzerland-based Mabco Constructions, entered into a U.S.$123.8 million 35-year concession contract to build, operate and maintain an international airport in Vlora. Construction work is currently underway and the airport is expected to be operational in March 2025. In April 2021, the second international airport in Albania was opened in Kukes. The airport involved total investment of U.S.$28.7 million, is 90 miles north-

east of Tirana and has a single runway. The Government's programme, which was approved by the Assembly in September 2021, also targets construction of an international airport in Gjirokastra (previously planned for Saranda).

Roads

The Government is implementing a number of key projects and initiatives to improve Albania's road network and infrastructure, including:

- ***Construction of highway linking Tirana and North Macedonia (Arberi Road)*** - In February 2018, the Government signed a contract with Gjoka Konstruksion for a construction and maintenance project in respect of the remaining part of the highway linking Tirana to the Dibra region and North Macedonia, known as the Arberi Road. The Arberi Road is intended to enhance economic and social development in northeast Albania and to improve the movement of traffic and reduce travel time, vehicle operating costs and the number of accidents. The project is estimated to cost approximately ALL 40.3 billion and is being conducted as a PPP project. Financing from the Government budget for this project began in June 2019. The expected cost of this project is approximately ALL 10.1 billion. Construction began in May 2018 and was expected to be completed in July 2023. Due to geological problems in the Murriz Tunnel, the deadline for the completion of the project has been extended by 20 months, to March 2025. Once completed, Gjoka Konstruksion will operate the road for a period of 13 years.

- ***Feasibility study for construction and upgrade of the Adriatic-Ionian Corridor*** **-** The Adriatic-Ionian Highway/Expressway is a strategic project, which is expected to provide a better road connection with neighbouring countries establishing a competitive, reliable and safe transport system. The corridor is partially built and, when complete, will have a total length of 300 kilometres, divided into 13 road sections.

Railways

In recent years, development and reform programmes in the railway industry have focused on transposing European legislation, as a precondition for comprehensive institutional reform and the profiling and strengthening of the administrative capacity of the railway.

On 21 March 2016, the National Investment Committee approved the Tirana-TIA-Durrës railway project as a key priority for the Government. The Tirana-TIA-Durrës railway is part of the Western Balkans Core Network 2 Route that connects the cities of Podgorica in Montenegro and Vlora in Albania and is also designated as an indicative extension of Trans-European Transport Networks Railway of the Western Balkans. The project is expected to improve the connectivity of Albania's main cities with the Port of Durres and TIA. The project also includes sectorial reforms and measures aimed at strengthening Albanian Railway. Tendering for the construction contract for the Tirana-TIA-Durrës railway project began in April 2018 and was completed in November 2020. The construction contract was signed in February 2021 and the works are estimated to be completed during 2025 (following approval by the Ministry of Finance and the EBRD of a request for additional funds for connection to the old station and the electrification of the line). The project is expected to cost €90.5 million. The Tirana-TIA-Durrës railway project is being co-financed by an EBRD loan of €36.9 million granted on concessional rates and EU/WBIF grants of €36.7 million, which consist of an investment grant of €32.9 million and technical assistance grants of €2.5 million for the works supervision and project implementation support. In addition, WBIF grants of €2.75 million were provided for project preparation. The remaining costs, which are comprised of VAT and local expenses, will be financed by the Government. In accordance with the terms of the contract, an additional amount €30 million of funding has been requested, and approved, to reflect price adjustments for construction materials. See "*Public Debt—Multilateral Financial Institutions—European Bank for Reconstruction and Developmen*t".

Other projects for the improvement of railway infrastructure include:

- ***Rehabilitation of the Vora–Hani Hotit railway line****:* A detailed design for rehabilitation works to the Vora-Hani Hotit railway line was completed in July 2021. The designs include: (i) support structures designs; (ii) the construction of thirteen railway stations and related infrastructure; (iii) the installation of signalling, telecommunications and safety systems; (iv) full upgrade of the railway tracks; and (v) preparation of the environmental and social impact assessment. The rehabilitation project has been financed by a €4.7 million grant from WBIF, which was approved in December 2016, and with EBRD as the lead international financial institution. Financing for the project of €368 million will be provided by the European Fund for Sustainable Development Plus, an integrated financial package that provides financing capacities in the form of grants, budgetary guarantees and financial instruments worldwide, of which, €100 million are bank loans, €125.8 million are WBIF grants and €142.2 million are from other financing sources.

- ***Construction of a Pogradeci–Korça railway line***. A pre-feasibility study for the construction of a railway link between Albania and Greece was approved by the Hellenic Railways Organisation and the Albanian Ministry of Infrastructure and Energy, under the Interreg Europe Programme, which is an EU programme that aims to help regional and local

governments across Europe to develop and deliver better policy. This pre-feasibility study was completed in March 2021, and further steps on the preparation of a feasibility study and preliminary design are being considered by the Government and Albanian Railway.

- ***Rehabilitation of Durrësi–Pogradeci–Lini railway and the construction of a railway link between Lini and the border of North Macedonia.*** The feasibility study for this project was completed in January 2018. This project has been split into two corridors: Durres-Rrogozhina and Rrogozhina-Pogradec.

  - ***Rehabilitation of the Durres-Rrogozhina railway line:*** A detailed design for the rehabilitation of Durres-Rrogozhina railway line was completed in August 2021. The detailed design includes: (i) support structures designs; (ii) the construction of four railway stations and related infrastructure; (iii) the installation of signalling, telecommunications and safety systems; (iv) the upgrade of the railway tracks; and (v) preparation of the environmental and social impact assessment. The rehabilitation project has been financed by a €1.7 million grant from WBIF, which was approved in December 2019, and with EIB, as the lead international financial institution. The project was approved by the Strategic Planning Committee of Albania in July 2021.Total costs of construction are expected to be €72 million, with requests made to the WBIF for a grant of €36.1 million, with EIB, as the lead international financial institution. The total value of the investment grant published on the official WBIF website is €62.5 million.

  - ***Rehabilitation of the Rrogozhina-Pogradec railway line***: Preliminary design works for this section of the line started in September 2021 funded by a direct grant of €1.75 million from the EIB but the initial contract for the preliminary design works has since been cancelled by EIB. The procurement procedure was re-opened and completed on January 2023. In February 2023, a consultant began work drafting the Inception Report, which is expected to be submitted in April 2023. The expected completion date of this project is in August 2024. The total cost of the project, as estimated by EIB, is €121.3 million (including contingencies, but excluding VAT). EIB is expected to finance the project using: €30 million of bank loans, €30 million of EBRD loans, €60.45 million of investment grants approved in 2023, and €0.85 million from other sources.

  - ***Durres – Prishtina railway connection***: This project aims at developing a new railway line between Albania and Kosovo. A memorandum of understanding was signed in June 2022, sharing the cost of a pre-feasibility study (€1 million to each of Albania and Kosovo). A pre-feasibility study for this project has been completed.

Maritime Transport

Albania has a large coastline and, accordingly, Albania's ports, particularly the Durres port, constitute a significant economic resource, acting as a transport hub for the Adriatic region.

In October 2020, the Government approved the National Sectoral Plan of Marine Transport and Port Infrastructure, which, among other things, targets the relocation of cargo ports from urban locations and the redevelopment of urban ports into marinas and tourist facilities.

In recent years, the Government has invested funds and developed a number of initiatives for port infrastructure construction, including:

- ***Durres Port:*** In line with the National Sectoral Plan of Marine Transportation and Port Infrastructure approved in October 2020, the port of Durrës is expected to be converted into a modern marina, with the commercial port transferred to Porto Romano. This project aims to modernise port infrastructure and establish Durrës as a key logistics and economic hub in the Mediterranean region. A master plan for the new port on Porto Romano has been completed and approved. In June 2021, Durrës Port Authority opened the tender for the design of the new commercial port in Porto Romano. The winner of the tender procedure is Royal Haskoning DHV. The detailed design for the new commercial port in Porto Romano has been completed. The procurement procedure for the construction of the new commercial port at Porto Romano was launched in July 2024, with a budget of approximately €390 million of state budget investment. The first phase of construction is expected to take approximately four years. In October 2024, the procurement procedure for the construction of the new commercial port at Porto Romano was canceled due to the lack of suitable offers from participating economic operators. Regulatory framework verifications are currently ongoing to ensure that the upcoming procedure will comply with international standards and attract high-quality bids, with the procedure expected to relaunch in 2025.

  In November 2020, an agreement for economic co-operation was signed between the Government and the government of the United Arab Emirates. In April 2021, a plan was presented for the construction of a new tourist marina at Durrës Port, with a planned investment of approximately €2 billion by Dubai-based Emaar Group. The

contract for the development of the Durres Waterfront and Marina was signed and approved by the Assembly in January 2023. Construction on the first phase of development is underway.

Information and Communication

According to statistics published by INSTAT, the information and communication sector contributed 2.4% of GDP in each of 2022 and 2023.

Fixed broadband internet penetration in Albania has been low due to the limited coverage of the fixed telephony network. However, the Republic has followed global trends in terms of internet penetration, connectivity and speed, experiencing increases in these areas in recent years. As at 31 December 2023, there were approximately 632,759 subscribers of fixed broadband services, an increase of 8.0% compared with as at 31 December 2022. As at 30 September 2024, there were approximately 663,226 fixed broadband subscribers, an increase of 8.5% compared to the corresponding period of 2023.

Fixed broadband penetration has increased at an annual rate of between 8% and 10% in recent years, reaching approximately 88% of households in 2023. According to statistics published by the Albanian Authority of Electronic and Postal Communications, as at 31 December 2023, there were 2.6 million active users of mobile telephony and 2.1 million active users of mobile broadband internet from mobile phones. As at 30 September 2024, there were 2.8 million active users of mobile telephony and 2.4 million active users of mobile broadband internet from mobile phones.

The number of fixed telephony customers has decreased in recent years to 173,135 subscribers as at 31 December 2023 and 167,087 as at 30 September 2024, a decrease of 4.5% compared to the same period of the previous year.

The number of fixed broadband subscribers as at 31 December 2023 was 632,759 (579,414 household subscribers and 53,345 businesses), reflecting an 8.0% increase, as compared to the number of fixed broadband subscribers as at 31 December 2022. Use of traditional mobile telephony services (including voice calls and SMS) has been in decline in the last five years, while usage of mobile broadband services has grown. As at 31 December 2023, the reported mobile 3G/4G/4G+ coverage in Albania reached approximately 99.6% of the population and covered approximately 97% of the territory. Mobile data usage was approximately 193 million GB in 2023, representing an increase of more than 5.0% as compared to 2022.

In May 2024, Law № 54/2024 was adopted, which aligns Albania's regulation of electronic communications with EU rules.

The Government promotes information and communication technologies across sectors, presenting and implementing various strategies and policies that focus on such technologies, with a particular focus on the development of an information society, a digital agenda and broadband development. Broadband development and digital infrastructure are key objectives of the long-term strategic framework set out in the NSDEI. The NSDEI aims: (i) for Albania to have a high speed broadband digital infrastructure throughout the country; and (ii) for 5G networks to be recognised as vital in enabling the next wave of productivity and business innovation across different sectors in the economy.

In 2020, the Council of Ministers adopted the 2020-2025 National Plan for the Sustainable Digital Broadband Infrastructure Development, which aims to ensure high-speed digital broadband infrastructure across the country and to lay the foundations to become a "Gigabit society", i.e., a society in which the majority of businesses and individuals are able to access data with high internet speeds and capabilities. The National Plan for Sustainable Digital Infrastructure and Broadband 2020 – 2025 defined three strategic objectives of broadband development as follows: (i) the sustainable development of broadband infrastructure; (ii) reducing the digital divide and providing comprehensive broadband services; and (iii) increasing demand for digital economy development and the "Gigabit society". The National Broadband Plan includes several activities and measures in order to promote the broadband development and to increase the broadband penetration in fixed and mobile services. Since the adoption of the National Plan for the Sustainable Digital Broadband Infrastructure Development, the mobile broadband penetration has increased from 70% in 2020 to 75% at the end of 2023. The fixed broadband penetration rate for households has increased from 70% in 2020 to 88% at the end of 2023, and from 17.8% of the population to nearly 23% at the end of 2023.

Development of advanced electronic communications infrastructure, together with fast and super-fast broadband continues to be a main priority of Albania's digital agenda. In pursuance of this aim, the 800 MHz spectrum band, is currently utilised by two mobile network operators, Vodafone Albania and Telekom Albania, who were successful in their tender offers of approximately €7.4 million each for 1x10 MHz paired spectrum in March 2019 and September 2019, respectively. The spectrum policy document was approved by the Council of Ministers in 2020, establishing a radio spectrum policy. In November 2024, the Electronic and Postal Communications Authority completed a tender for the 3,400 – 3,800 MHz spectrum band. Individual authorisations for the use of frequencies in this band were awarded to ONE Albania and Vodafone Albania. Pursuant to the terms of the authorisations, the operators are required: (i) to provide

services to 55% of the population by the end of 2027 and 85% of the population by the end of 2030; and (ii) to ensure coverage of ports, airports and other areas of socio-economic importance by the end of 2025.

In May 2018, the West Balkans Six launched the process of eliminating roaming surcharges within the region. In 2019, the second Regional Roaming Agreement was signed at the West Balkans Six Digital Summit in Belgrade and has since been implemented with, as a final step, the "Roam Like at Home" regime introduced in July 2021.

On 2 November 2020, the West Balkans Six signed a memorandum of understanding to establish a regional co-ordinated approach to secure 5G networks and timely harmonised measures to deploy 5G services across the region.

On 10 November 2020, the West Balkans Six endorsed the Common Regional Market (CRM) 2021-2024 Action Plan, under which they have committed to work jointly towards the further integration of the region into the "Pan-European Digital Zone". This also aims to enhance the digital transformation of the region and move the West Balkans towards a digitally-driven economy based on EU standards and practices. A roadmap to reduce roaming prices between the EU and the West Balkans was agreed during a ministerial meeting organised in Podgorica, Montenegro in the framework of the fourth Digital Summit of the Western Balkans held in October 2021. In October 2024, the Common Regional Market (CRM) 2025-2028 Action Plan was approved.

At the EU-Western Balkans Summit held December 2022 in Tirana, the telecommunications operators from the EU and the Western Balkans signed a roaming declaration enabling the reduction of the roaming charges between the EU and the Western Balkans from 1 October 2023.

Environment

In recent years, Albania's objective to join the EU has driven its environmental policy, and a number of new policies and legislation have been developed focusing on the harmonisation of environmental policy across Albania, as well as the integration of environmental protection provisions in sector-specific policies. The NSDEI, which was adopted in 2022, identifies environmental protection as a priority sector for the next decade. Recent environmental legislative and policy initiatives have been based on requirements defined by the approximation of EU environmental legislation.

The Ministry of Tourism and Environment is the principal authority responsible for the implementation of Albania's environmental commitments under national law and international treaties. The Directorate of Integration and Projects within the Ministry of Tourism and Environment has overall responsibility for international cooperation. In respect of international environmental cooperation, the Ministry of Tourism and Environment shares responsibility with the Ministry for Europe and Foreign Affairs, which has the authority to initiate the ratification of MEAs (international agreements, between three or more countries, on how to jointly address environmental problems of a cross-border nature), and is responsible for coordinating and monitoring measures for the implementation of the requirements of Albania's European commitments.

The Ministry of Tourism and Environment is also working to develop a cross sector strategy setting out environmental policy and strategic guidance in place (the "**Cross-Cutting Environmental Strategy**"), which will be harmonised with national priorities and general governance polices and is intended to be in compliance with EU strategic and policy directives. Legal frameworks for the protection of water, biodiversity and land ecosystems have been developed to increasingly align with international good practices and to try to address issues of poor data collection, weak inter-institutional co-ordination, limited financial and technical capabilities and a dependence on donor funding, which can impede policy implementation. In line with the Global Strategic Plan for Biodiversity, the Government is working towards a global headline target of "living in harmony with nature" by 2050 and objectives have been developed for the period until 2030 in order to transform society's relationship with biodiversity. In particular, a new Biodiversity Strategy and Action Plan 2030 is being prepared in line with EU biodiversity targets and the Convention on Biological Diversit Global Diversity Framework post 2020. Sustainable management of Albania's national forest and pasture lands are a focus of efforts to encourage the sustainable use of natural resources, with such land covering approximately 62% of Albanian national territory, coupled with the increasing occurrence and further risk of forest fires.

In 2024, Law № 99/2024 was adopted, establishing a structure for environmental inspection and responsibility for controlling and enforcing environmental legislation in Albania (relating to protected areas, forest and pastures, protection of wild fauna, environmental permitting and licensing, hunting, medicinal plants, climate change and air quality). The Inspectorate sets penalties for administrative violations and has the authority to suspend or permanently close activities and operations, which do not comply with applicable environmental legislation.

On 2 July 2019, Albania became the first country in the region introduce a climate change cross-cutting strategy, which aims to reduce greenhouse gas emissions across Albania. In December 2020, Law № 155/2020 (the "**Law on Climate Change**") was approved. The Law on Climate Change is in line with EU efforts on climate change and the United Nations

Framework Convention on Climate Change. In addition, a draft law on Fluorinated Gases is in the process of being prepared by the Government, to align Albania with EU Regulation № 517/2014 on the reduction of fluorinated gases.

Between 2017 and 2020, the Council of Ministers approved five new decisions, which aim to improve the level of the Albania's approximation with EU regulation and standards in this area. In June 2019, Albania put in place a National Plan on Air Quality Management, which sets out and defines the measures to be taken in order to improve air quality. Measures have also been put in place to mitigate levels of chemical pollution in the Republic, including the implementation of legislation and dedicated capacity building.

In June 2024, a National Commission for Clean Air was established, which is tasked with co-ordinating with line ministries and other institutions and local government units involved in preparing national programmes for the reduction of air emissions and includes representatives of industry, civil society, non-governmental organisations and the scientific community. The National Commission for Clean Air is headed by the Minister of Tourism and Environment. In July 2024, amendments were introduced to Law № 2014 relating to the protection of air quality in the environment, increasing fines for administrative violations by 30%. In 2022, two matrixes were adopted for tracking the implementation of the ambient air quality strategy and management plan.

Wages

The following table sets forth details regarding recent wage trends for the years indicated.

Wage Trends by Sector

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
			(ALL)		
Average monthly wage per employee[1]	52,380	53,662	57,191	61,898	70,539
Average public sector monthly wage[1]	63,084	64,389	68,508	70,007	81,887
Official minimum wage in public sector	26,000	26,000	30,000	34,000	40,000
Average monthly wage and salary by economic activity	52,380	53,662	57,191	61,898	70.539
Agriculture, forestry and fishing	36,911	33,359	35,661	40,531	46,975
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; sewage, waste management and remediation activities	44,150	45,359	48,860	53,645	61,161
Construction	42,235	41,629	43,358	48,820	55,784
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	39,045	39,870	43,770	49,574	56,859
Information and communication	80,022	80,626	86,353	98,943	108,987
Financial and insurance activities	107,702	109,423	113,235	126,777	137,473
Real estate activities; professional, scientific and technical activities; administrative and support service activities	59,477	60,925	62,960	69,115	77,778
Public administration and defence; compulsory social security; education; health and social work activities	63,119	64,483	68,924	70,796	81,926
Arts, entertainment and recreation, repair of household goods and services	57,535	58,107	61,688	65,178	71,804

Source: INSTAT

Note:

(1) Average monthly wage per employee includes data for public sector and private sector employees. The average public sector monthly wage per employee, for 2018 to 2021, is the quarterly average calculated by INSTAT using payroll data obtained from the Official Statistics National Programme. The Official Statistics National Programme is the document that regulates the production of official statistics by the National Statistics System, in line with the statistical principles set out in Articles 4 and 4(1) of the Statistics Law, in compliance with the European Statistics Code of Practice. Since 2018, the average public sector monthly wage per employee in public sector data is the quarterly average calculated by INSTAT using payroll data obtained from the General Tax Directorate.

The highest gross average monthly wages and salary by economic activity for 2023 were in the financial and insurance activities (ALL 137,473), and the lowest average monthly wages and salary were in the agriculture, forestry and fishing activities (ALL 46,975).

In 2023, the official minimum wage increased by 17.6%, as compared to 2022, to ALL 6,000, while the average public sector monthly wage increased by 17.0% to ALL 11,880 in 2023, as compared to ALL 70,007 in 2022. The average monthly wage per employee (including the public and private sectors) increased by 14.0% to ALL 8,641 in 2023, as compared to ALL 61,898 in 2022.

Employment

The table below sets forth information on Albania's labour force and employment and unemployment levels as at the dates indicated.

Labour Force and Employment / Unemployment Levels[1]

	2019	2020	2021	2022	2023
Labour force *(thousands)*	1,430	1,408	1,411	1,458	1,486
Labour force activity rate (15-64 years) *(%)*	69.6	69.1	69.3	73.2	75.7
Employment rate (15+ years) *(%)*	53.4	52.5	52.9	55.5	57.2
Employment by main sectors *(%)*					
Agriculture	*36.4*	*36.1*	*33.8*	*33.9*	*32.3*
Industry	*19.3*	*20.5*	*21.9*	*21.9*	*21.0*
Services	*42.9*	*43.4*	*44.3*	*44.2*	*46.7*
Unemployed (*thousands)*	164.8	164.6	162.6	159.6	158.8
Unemployment rate (*15+ years*) *(%)*	11.5	11.7	11.5	10.9	10.7
Employment in agriculture *(%)*	*36.4*	36.1	33.8	33.9	32.3

Source: INSTAT, Labour Force Survey.

Note:
(1) Certain figures in this table have been revised and may differ from previously published data.

The unemployment rate decreased from 10.9% in 2022 to 10.7% in 2023, as the labour force increased by 1.9%. At the same time, the labour activity rate and employment rate also increased from 73.2% and 55.5%, respectively, in 2022 to 75.7% and 57.2%, respectively in 2023. Since 2019, the services sector has been the largest source of employment in Albania, representing 46.7% of employment in 2023, followed by the agriculture sector, representing 32.3% of employment in 2023 and the industry sector representing 21.0% of employment in 2023. As at 31 December 2023, the unemployment rate was 10.7% and the total labour force was approximately 1.5 million people. As at 31 December 2023, 12.8% of those economically inactive were fulfilling household duties, 9.6% were in retirement or early retirement, 39.7% were students, 12.8% permanently disabled and 17.1% were otherwise economically inactive.

Since 2016, the Government has begun implementing measures aimed at reforming vocational training and education. The Government has initiated the restructuring stipulated in the revised law on vocational education and training and is the process of implementing amendments to the labour code which was approved in 1995 (the "**Labour Code**"). The amendments to the Labour Code, which were approved by the Assembly in 2016, include: (i) permitting temporary employment of foreign employees in Albania; (ii) introducing flexible working; (iii) establishing an agency for temporary work; and (iv) extending parental leave to male employees. In 2016 the "Law on Craftsmanship in the Republic of Albania" was introduced, which regulates apprenticeships. In February 2017 a revised vocational training and education law was adopted, clarifying the roles of state and non-state actors in the provision of vocational training and education.

In October 2014, the Council of Ministers approved the National Strategy for Employment and Skills 2014-2020 and its action plan. The NESS was subsequently extended until 2022. The NESS 2023-2030 was approved by the Council of Ministers in March 2023. The main goal for the NESS 2023-2030 is "Quality employment and lifelong learning for all" through: (i) skills development and better matching of demand with supply in the labour market for more employment opportunities; and (ii) enabling decent employment for women and men through the implementation of comprehensive labour market policies. The 2023 NESS progress report highlights the following measures implemented under the NESS during 2023: (i) the vocational education training ("**VET**") system has undergone several improvements to become more relevant and flexible, with the development of new occupational standards, qualifications, and the introduction of new programmes; (ii) the National Catalogue of Vocational Qualifications has been revised; (iii) VET infrastructure has been modernised, with the consolidation of quality assurance and development practices through self-assessment and accreditation; (iv) measures aimed at increasing employment among vulnerable groups such as the long-term unemployed, youth not in education or employment ("**NEET**"), women and persons with disabilities were introduced; and (v) the pilot of the youth guarantee programme was launched in three regions to help NEET youth secure employment or training within four months of registration.

Since February 2017, the Government has drafted secondary legislation in support of vocational training and education, creating the legal framework for its implementation. In 2018, the Government also developed and implemented the Albanian Qualifications Framework (in accordance with the European Qualifications Framework) and established the National Agency for Employment and Skills and the National Council for Vocational Education and Training. In addition to these developments, vocational training and education teachers have been recruited, and efforts are underway to increase the capacities of the National Agency for Employment and Skills and the National Agency for Education, Vocational Training and Qualifications. Two sectoral committees, the information and communication technology

sectoral committee and the hospitality and tourism sectoral committee have been established to assist with adopting and adapting curriculum to the needs of the labour market.

In May 2024, the National Strategy for Migration 2024-2030 and associated action plan was approved, which (among other measures) provides an opportunity for returning Albanian citizens to benefit from a youth guarantee programme and support through dedicated active labour market initatives.

Pensions and Social Insurance

Pension Reform

The pension system in Albania provides benefits to almost 724,935 citizens that belong to specific categories, such as: the elderly, the disabled and family (death) pensions. The system relies on a pay-as-you-go scheme pursuant to which benefits are paid directly from current workers' contributions and taxes.

During 2014, the Government commenced reforms of the pension system, which entered into force on 1 January 2015. The reform aimed to increase the number of contributors in the mid-term and long-term, reduce the high level of redistribution, improve the scheme's financial sustainability in the long-term by creating incentives for the payment of contributions for longer periods, provide for the payment of contributions based on real contributory wages, provide for the continuation of employment beyond retirement ages, simplify the method of calculation of benefits and increase the transparency of the system. In particular, the pensions law includes the following measures:

- a gradual increase of the retirement age from 2015 until 2056. The women's retirement age is scheduled to increase by two months a year to reach 63 by 2032, and the men's retirement age is scheduled to increase by one month a year, with both genders to reach 67 years by 2056;
- improvement of the pension formula in rural areas through the merger of the current two schemes into a single national scheme. All pensions are subject to the new regime;
- reinforcement of the contributory principle by changing the pension-calculating formula;
- removal of the ceiling used for the calculation of the maximum pension and indexing of the maximum contributory wage with average wage growth;
- increase of the contribution period for the purpose of entitlements to the full base pension;
- establishment of a social pension, to be funded by the state budget, for all individuals over 70 years of age, resident in Albania during the five years prior to their retirement, who do not qualify for a compulsory pension scheme;
- imposition of conditions leading to reduced costs of state supplementary pensions for political officials, professors, military personnel and other state workers;
- establishment of occupational pension schemes that aim to guarantee incomes for individuals who retire earlier than the official retirement age;
- freezing of current pensions, which are not subject to recalculation, except for inflation indexing;
- improvement of the performance of private pension funds;
- removal of the previous special interest privilege (acknowledgement of unpaid university period as insurance period) for women with a university degree after 2032; and
- introduction of de-motivating elements regarding early retirement and encouraging postponed retirement.

Since the introduction of the pensions law and other reforms, there has been an improvement in a variety of pension system indicators, including the coverage ratio of the pension system. Social insurance system revenues increased from ALL 84,198 million in 2019 to ALL 124,618 million in 2023, reflecting an increase of 48.0%. These revenues accounted for 5.3% of GDP in 2023, as compared to 4.9% of GDP in 2019. Contributors to the social insurance system increased from 729,816 persons in 2019 to 783,251 persons in 2023, an increase of 7.3%. Total transfers from the pension fund to private budgets were ALL 107,880 million in 2019, or approximately 6.38% of GDP, as compared to ALL 138,465 million in 2023, or approximately 5.99% of GDP, reflecting an increase of 28.4%. As a result of increased social

contributions, pensions financing from the budget has decreased from 2.78% of GDP in 2019 to 1.97% of GDP in 2023. Social insurance system revenues are expected to increase by 10% in 2024, as compared to 2023, while Government spending on benefit and compensation schemes is expected to increase by approximately 8%. The Government's reform programme aims to continue to reduce the impact of the pensions system on public finances.

The Government is currently considering undertaking a further reform of the pension system, with the assistance of the World Bank. This reform is being considered at both the parametric and systemic levels and will be based on the fundamental pillars of the social security scheme, which include universal coverage, the adequacy of pensions, long-term financial sustainability, and the maintenance of equity and fairness in the treatment of different categories of pensioners.

Social Protection and State Aid

In recent years, the Government has introduced new legislation focusing on social care. The law on social care services entered into force in November 2016, and the law on the rights and the protection of the child entered into force in February 2017. The 2017-2020 National Agenda for Children's Rights was adopted in April 2017, promoting stronger governance in the protection of such rights. A new National Agenda for Children's Rights for the period 2021-2026 was adopted in November 2021 and has four strategic goals: (i) good governance to respect, protect, and achieve children's rights; (ii) the elimination of all forms of violence and provision of child protection; (iii) child and adolescent-friendly systems and services; and (iv) the promotion of children's rights in the digital world. The Universal Baby Bonus Programme, a policy aimed at increasing birth rates, was introduced in 2019 and provides financial support of ALL 40,000 to parents following the birth of their first child, ALL 80,000 for the second child and ALL 120,000 for the third child. Since 2019, over 227,000 bonuses have been distributed under this programme.

Spending on disability benefits has risen in recent years due, in part, to weak controls and instances of fraud. The Government worked with the World Bank on a medium-term project to reform disability benefits and improve the equity and efficiency of cash-based social assistance, in line with the UN Convention on the Rights of Persons with Disabilities, WHO International Standards and the International Classification of Functions. A new disability assessment system to reflect international practices of transforming medical assessment to bio-psycho-social assessment has been implemented in the Tirana, Elbasan and Durres regions and, since 2023, implementation has begun across other regions of Albania.

During 2022, economic aid was increased as follows: (i) by 20% for all household beneficiaries; (ii) doubled for households in need composed of three and more children; (iii) doubled for female heads of households with two children; (iii) doubled for household members over 65 years old, single without an old age or social pension; and (iv) tripled for orphans, victims of domestic violence and victims of trafficking. In addition to these permanent increases, during 2022, two additional packages of financial support were given, first, an amount of ALL 9,000 during April to June, to mitigate the effects of the Russia-Ukraine war and then, at the end of 2022, an amount of ALL 8,000 for each family and ALL 20,000 for female heads of households to mitigate the impact of inflation.

As at 31 December 2023, the contribution rate to the social protection scheme for employed people is 27.9% of the gross wages (partly contributed by employers, subject to a maximum level of 16.7%), while for the self-employed, the rate is an amount not lower than the national minimum wage and not higher than the maximum wage, approved by a decision of the Council of Ministers. The contribution rate for employed people includes contributions in respect of compulsory social insurance (*i.e.,* sickness benefits, maternity benefits, accident-at-work benefits, old-age, sickness and veterans pension benefits and unemployment insurance). The contribution rate for self-employed people includes maternity and pension benefits. Since January 2015, the maximum contribution level has been indexed to increases to the minimum wage. In addition, under Albania's compulsory healthcare insurance scheme, 3.4% of gross wages is contributed for employed people (3.4% of gross wages by each of the employee and the employer) and self-employed people contribute 3.4% of their twice monthly minimum gross wages for healthcare services. See "*Public Finance—Descriptions of Principal Budgetary Components—Tax Revenue*".

Implementation of social care reform measures continued in 2021 based on the principles of decentralisation, deinstitutionalisation and diversification. In 2021, a social fund was introduced, which disbursed ALL 1.2 billion during the period 2019-2024 in respect of 73 new social care services (54 at a municipality level and 19 specialised social care services at a regional level) and 32,869 beneficiaries. As at December 2024, the total number of beneficiaries of the fund has increased by approximately 30% since the end of 2022, when there were 10,744 beneficiaries. For 2024,

ALL 324,196,609 was allocated from the fund for 49 services at a municipality level and 14 specialised social care services at a regional level.

The Ministry of Housing and Social Protection has improved mechanisms for establishment and effective functioning of the social fund at a local level, through amendment of implementing decisions and the revision of the methodology for calculating funds for the financing of social care services.

Healthcare

The healthcare system in Albania is in a relatively nascent stage of development, and key health system performance indicators in Albania are mixed. While health outcomes are relatively strong by regional standards, the sector suffers from inefficiencies and inequities.

Albania is working towards integration with European systems and frameworks, including the European Medicines Agency, to enhance its healthcare and medicinal sectors. This collaboration includes adopting EU guidelines, participating in international partnerships, and engaging in initiatives aimed at improving the country's medicinal supply chain, regulatory environment, and public health infrastructure. Albania is actively seeking to strengthen collaborations with EU Members States and the European Commission, as well as with international organisations in the areas of knowledge exchange, technical assistance and capacity building, as well as for the improvement and development of existing and new medicines.

Enhancing public health infrastructure and preparedness for health crises is one of the Government's priorities in the healthcare sector, including developing strategies for pandemic preparedness and ensuring the availability of critical medicinal products in times of need.

In 2023, the number of hospitals in Albania was 43 per 100,000 population and, in total, there were 8,839 beds (including emergency beds and acute curative beds that provide hospital services). The range of facilities in hospitals in Albania varies depending on whether the hospitals are located in urban or rural areas. In recent years new healthcare facilities have been constructed outside of Tirana to try to expand and improve healthcare in Albania.

The following table sets forth activity indicators in public hospitals in Albania in 2023:

Activity indicators in public hospitals

Indicator	Amount
Hospitals (*per 100,000 population*)	43
Hospital beds	8,839
Hospitalised persons	285,594
Days in bed realised	1,345,506
Bed occupancy (*in days*)	45.6
Average duration of hospitalisation period	4.8
Bed turn	35.0
Number of persons operated on	65,043

Source: Ministry of Health and Social Protection

Since January 2018, the Government has implemented an economic aid scheme across the country, which offers support to families and individuals and subsidies to promote education and healthcare for families with school-age children. The number of beneficiary families has increased by 20% to approximately 64,000 families. Households in need with three or more children receive double payment.

In April 2022, the Government approved the National Health Strategy 2021 – 2030, which aims to protect and preserve the health of citizens and provide effective treatment for a range of the most common health-related problems encountered throughout a lifetime. The Government aims to increase public financing for health to 70% of all healthcare costs by 2030, with the goal that no Albanian family falls into poverty due to health-care related costs and expenses.

Privatisation

Albania carried out a major privatisation programme as part of its structural reforms towards the development of a market economy. Most privatisations took place during the 1990s, and the aggregate privatisation proceeds for the period from 1992 to 2014 exceeded U.S.$979 million.

Privatisations in Albania began in the second half of 1991 with the creation of the National Privatisation Agency. Law № 7512 of 10 August 1991 "On sanctioning and protecting private property, free initiative, independent private activities

and privatisation" recognised private property generally and the concept of privatisation of state enterprises in particular. Pursuant to this law, from 1991 to 1992, more than 17,000 small service and trade businesses, as well as 2,000 tracks, fishing boats, agricultural machineries and other assets, were privatised through direct selling or management buyouts.

The privatisation process developed in steps, starting with the privatisation of small businesses, particularly service providers, followed by the privatisation of SMEs, defined as those with values of less than U.S.$150,000 and U.S.$500,000, respectively, and the implementation of a programme of "voucher privatisation" or "mass privatisation" for 97 joint stock state companies. The remainder of privatisations of SMEs took place through employee buy-outs, with many companies being liquidated during this process.

In 1998, the Government enacted Law № 8306 of 14 March 1998 as part of a strategy to privatise major companies operating in strategic sectors, including the telecommunications, postal services, mining and energy and oil and gas sectors. Limited domestic capital, however, made privatisation of large enterprises difficult, and slower than initially planned.

In 2000, Albania privatised its first mobile phone network, through a U.S.$85.6 million sale to Telenor and Greece's Cosmote. In 2001, it awarded the second mobile phone licence to Vodafone. Other important privatisations include the privatisation of the concession of TIA, the concession of the Port of Durres, the privatisation of 85% of the shares of Albanian Refining and Marketing Oil and the privatisation of 76% of the shares of the fixed line telecommunications company, AlbTelecom.

As a result of the foregoing, the vast majority of economic activity in Albania is conducted by the private sector. With privatisation largely complete, the Government has identified energy sector reforms as a priority.

In 2007, the Government decided to privatise the distribution arm of the state-owned power company KESH in order to reduce losses and improve service quality. As a first step, the distribution arm was unbundled from KESH and incorporated as a separate power distribution system operator, OHSEE (formerly, OSSH), in June 2007. In 2009, the Government sold a 76% stake in OHSEE to the Czech power group, CEZ, for €102 million. In late 2014, however, the Republic resumed ownership of the company. On 23 September 2015, the Assembly approved Law № 102 "On Natural Gas Sector" requiring the unbundling of production activity from the activities of natural gas transmission and distribution. In July 2016, the Council of Ministers approved the establishment of Albgaz S.A. as a combined operator for the transmission and distribution of natural gas, which was completed in 2017. Since 20 December 2019, OHSEE has been restructured into three separate entities in order to separate electricity supply and distribution services: an electricity distribution operator, an electricity supply company and a universal service provider.

During 2018, the Government privatised 16 assets for an aggregate of ALL 169.0 million, of which four of these assets were purchased by former land owners using their pre-emption rights. The Minister of Finance approved the action plan for the privatisation of state assets for the period 2016-2020, as amended for the period 2018-2020 on 21 March 2018. In June 2018 the liquidation of a 100% state-owned company, Prodhim Veshja Ushtarake JSC, was completed in accordance with this action plan.

During 2019, 28 assets were privatised for an aggregate of ALL 360.2 million. The assets were sold through public auction procedure and former land owners had priority to purchase the assets. Some of these assets were purchased by land owners, exercising their pre-emption rights. During 2020, 13 assets were privatised for an aggregate of ALL 246.8 million through public auction procedures with pre-emption rights granted to former land owners. During 2021, seven assets were privatised for an aggregate of ALL 82 million. During 2022, two assets were privatised for an aggregate of ALL 100 million. During 2023 and the first nine months of 2024, no assets were privatised.

The following table sets out information on privatisation revenues received by Albania and as a percentage of GDP in the years indicated.

Privatisation Revenues
For the year ended 31 December

	2019	2020	2021	2022	2023
Privatisation revenues *(ALL millions)*	242	228	306	191	—
Privatisation revenues *(% of GDP)*	0.01	0.01	0.01	0.01	—

Source: Ministry of Finance

The state budget does not provide for assumed privatisation revenues.

Public Private Partnerships

In 2015, the Government announced its intention to encourage the use of PPPs. In February 2017, Prime Minister Rama launched a €1 billion PPP programme, focusing on PPPs in the transport and education sectors. Work has begun on five projects, of which four are in the transport sector and one is in the education sector. Under the €1 billion PPP programme, the Government intends to make funds available to private partners to be used to cover construction and operation costs over an eight- to 13-year period. The PPP projects are not treated as public debt but are instead accounted for by the private partner as "off balance sheet" items, in compliance with the European System of Accounts (ESA 95) rules.

In 2020, the legislative framework for PPPs was improved through the adoption of Law № 162/2020, which partially transposes EU directives on public procurement. In addition, in May 2021, public procurement rules were adopted, which set monetary thresholds in the public procurement system and supplement the law through more detailed provisions regarding definitions, calculation of procurement value, exclusions, subsidised contracts, reserved contracts, conflicts of interest, rules of communication, types of procurement procedures and their conduct, framework agreement, dynamic purchasing systems, centralised procurement, preliminary market consultations, contracts divided into lots, notices of various types, invitations to tender, qualification criteria, self-summary documents, quality requirements, reliance on the capability of other entities, reduction in the number of tenders, contract award criteria, contract performance conditions, sub-contracting, contract monitoring, design contest, documentation, and complaints review. This legislative framework is also supported by sets of standard tender documents for procurement procedures, various instructions and Council of Ministers decisions on procurement-related matters.

In May 2024, the National Strategy for Public Procurement 2024-2030 and accompanying action plan for 2024-2027 was approved, which built on the 2020-2023 strategy previously in place. The new strategy aims to improve the efficiency and sustainability of Albania's procurement system, promoting improvements focused on a modern and efficient approach to public procurement based on international best practices, with the ultimate aim of providing goods and services at better prices for better quality. The strategy is organised around three policy goals: (i) an efficient and effective public procurement process; (ii) creating sustainable, environmental, social and innovative procurement; and (iii) the integrity and legality of public procurement. A key objective of this strategy is improving the legal framework and, in 2024, Law № 16/2024, a new law was approved, which further increases transparency and efficiency in procurement procedures, further transposes EU Directives related to public procurement, seeks to increase the administrative capacities and performance of contracting authorities and entities in the public procurement process and improves the regulatory framework relating to public procurement. In May 2024, new monetary thresholds for public procurement were also introduced, in line with corresponding monetary thresholds in EU legislation.

The National Strategy for Public Procurement 2024-2030 also contemplates the establishment of a central purchasing operator. This entity has been established with the aim of reorganising the centralised purchasing as a state-owned company fully owned by the State.

In May 2018, following criticism by the IMF and the World Bank of the Government's practice of accepting unsolicited proposals relating to PPP agreements, the Government announced that it would stop accepting such proposals from the private sector, aiming to improve accountability on financial and legal issues. In 2019, the Council of Ministers amended Law № 125/2013 in accordance with IMF and World Bank recommendations. The amendments restrict unsolicited proposals from the private sector for concessions and PPP projects. As a result, unsolicited proposals are allowed only for PPP projects relating to the provision of works or services in ports and airports or the production and distribution of electricity, energy for heating and natural gas.

In order to increase transparency, strengthen financial discipline and monitor fiscal and budgetary risks arising from concessions and PPP contracts, the Ministry of Finance proposed changes, which were since adopted. These amendments have reinforced the role of the Ministry of Finance in monitoring concessions and PPP projects. In March 2019, the process of monitoring and reporting concessions and PPP contracts was introduced. The Ministry of Finance prepares and publishes a summary annual report on the progress of all concessions and PPP contracts, which forms part of the annual report of budget implementation. This report aims to present a summary of the concessions and PPP contracts and their fiscal risks and budgetary implications. The format of these reports is prepared in accordance with international practices, with assistance from the World Bank, funded by the Delegation of the European Union and the Swiss Federation.

The organic budget law stipulates that annual PPP payments cannot exceed 5% of tax revenues. In 2024, PPP payments are expected to be 2.3% of total tax revenues, as compared to PPP payments of 2.3% of total tax revenues in 2023 and 2.7% of total tax revenues in 2022.

In February 2018, the Government signed a contract with Gjoka Konstruksion for a construction and maintenance project in respect of the remaining part of the highway linking Tirana to the Dibra region and North Macedonia, which is estimated to cost approximately U.S.$250 million (plus VAT) and take a period of 13 years to complete. See "*The Economy—Principal Sectors of the Economy—Transport and Infrastructure—Roads*".

In October 2018, the Government signed a contract for the first phase of a project to improve the educational infrastructure in Tirana. The project is divided into four phases with a total investment value of ALL 8.0 billion. The signing of contracts in respect of the remaining three phases is pending. In July 2019, the Government approved two concession contracts: (i) a contract for the design, construction and maintenance of the Milot-Balldren roadway with a duration of 13 years and an investment value of €161.5 million; and (ii) a contract for the design, construction and maintenance of the Yacht Port-Bypass Orikum-Dukat roadway with a duration of 13 years and an investment value of €50.6 million.

In December 2019, in line with the Government's commitment to develop tourism, the construction of an airport in Vlora in southern Albania was proposed. In April 2021, the Ministry of Infrastructure and Energy signed the concession contract for the design, construction, operation, maintenance and transfer of Vlora Airport with a consortium comprised of members of the Mabetex Group Consortium, the YDA Group and the 2A Group. The total cost for the construction of this project is expected to be approximately €104.3 million.

Informal Economy

Albania has a substantial informal economy, which is significant in terms of the production of both goods and services and as a source of employment. A campaign aimed at reducing the informal economy launched in 2015 has led to a significant increase in formal employment (with the employment rate rising from 53.4% in 2019 to 57.3% in 2023).

The Government is pursuing a number of measures to reduce the informal economy, including the establishment of a simplified tax system and procedures, as well as strengthening inspection capacity and introducing measures aimed at fighting corruption and bribery in public administration. See "*Public Finance—Descriptions of Principal Budgetary Components—Tax Revenue*". In July 2020, amendments were also passed to the Law "On the Invoice and Circulation Monitoring System" which is aimed at advancing efforts to reduce the informal economy.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following table sets forth data on Albania's balance of payments for the periods indicated.

Balance of Payments[(1)(2)]

	For the year ended 31 December					For the six months ended 30 June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
				(€ millions)			
Current Account	**(1,088.7)**	**(1,152.6)**	**(1,166.4)**	**(1,063.3)**	**(263.8)**	**(377.3)**	**(574.2)**
Goods and Services	**(1,879.9)**	**(1,930.8)**	**(2,033.5)**	**(1,867.6)**	**(1,182.1)**	**(806.6)**	**(1,097.7)**
Credit	4,311.1	3,019.9	4,750.6	6,733.9	8,407.7	3,580.1	3,980.8
Debit	6,191.0	4,950.6	6,784.1	8,601.5	9,589.8	4,386.6	5,078.6
Goods	**(3,143.8)**	**(2,982.5)**	**(3,829.3)**	**(4,268.9)**	**(4,539.9)**	**(2,111.0)**	**(2,591.1)**
Credit	906.5	793.6	1,264.8	1,932.5	1,836.1	912.3	877.8
Debit	4,050.3	3,776.1	5,094.1	6,201.4	6,376.0	3,023.3	3,468.9
Services	**1,263.9**	**1,051.8**	**1,795.9**	**2,401.3**	**3,357.8**	**1,304.4**	**1,493.4**
Credit	3,404.6	2,226.2	3,485.8	4,801.4	6,571.7	2,667.7	3,103.0
Debit	2,140.7	1,174.5	1,689.9	2,400.1	3,213.9	1,363.3	1,609.6
Manufacturing Services on Physical Inputs owned by others	*450.6*	*437.2*	*501.1*	*625.0*	*770.2*	*394.2*	*358.2*
Maintenance and Repair Services	*4.3*	*5.2*	*3.7*	*7.7*	*3.5*	*1.7*	*1.1*
Transport	*20.2*	*(3.7)*	*123.0*	*204.7*	*319.8*	*100.9*	*152.3*
Travel	*500.6*	*321.1*	*840.1*	*1,069.3*	*1,838.3*	*577.6*	*739.9*
Construction	*4.6*	*0.6*	*(54.5)*	*21.3*	*23.7*	*15.0*	*12.9*
Insurance and Pension Services	*(29.9)*	*(18.7)*	*(37.3)*	*(37.2)*	*(94.0)*	*(35.7)*	*(54.7)*
Financial Services	*(1.8)*	*(0.8)*	*(8.2)*	*(3.7)*	*1.2*	*3.5*	*6.2*
Charges for the use of Intellectual Property	*(15.7)*	*(19.6)*	*(13.2)*	*(17.7)*	*(11.2)*	*(1.9)*	*(6.0)*
Telecommunications, Computer, and Information Services	*21.9*	*6.2*	*33.8*	*95.7*	*85.0*	*37.7*	*53.0*
Other Business Services	*330.3*	*319.7*	*403.9*	*398.3*	*389.5*	*184.2*	*236.6*
Personal, Cultural, and Recreational Services	*3.8*	*8.7*	*16.4*	*27.9*	*23.9*	*17.8*	*0.9*
Government Goods and Services	*(24.9)*	*(4.0)*	*(13.0)*	*10.0*	*7.9*	*9.5*	*(6.9)*
Primary Income	**(180.1)**	**(219.3)**	**(210.9)**	**(314.8)**	**(278.4)**	**(141.2)**	**(110.3)**
Credit	420.2	337.1	397.6	596.8	771.3	341.4	459.0
Debit	600.3	556.4	608.6	911.5	1,049.8	482.6	569.3
Secondary Income	**971.3**	**997.5**	**1,078.0**	**1,119.1**	**1,196.8**	**570.5**	**633.8**
Credit	1,105.5	1,169.7	1,244.0	1,280.2	1,368.0	651.9	731.0
Debit	134.2	172.3	166.0	161.2	171.2	81.4	97.2
Capital Account	**76.1**	**143.6**	**359.3**	**20.1**	**45.8**	**135.8**	**(137.2)**
Financial Account	**(904.7)**	**(849.7)**	**(628.3)**	**(889.0)**	**(65.5)**	**(96.9)**	**(748.5)**
Assets	46.2	582.3	1,474.6	397.2	1,821.4	1,026.4	(65.9)
Liabilities	951.0	1,432.1	2,103.0	1,286.2	1,886.9	1,123.4	682.6
Direct Investments	**(1,036.3)**	**(893.6)**	**(989.9)**	**(1,189.9)**	**(1,255.6)**	**(566.4)**	**(614.4)**
Assets	36.0	43.1	42.3	182.4	242.8	127.1	135.4
Liabilities	1,072.3	936.7	1,032.2	1,372.4	1,498.4	693.5	749.8
Portfolio Investments	**140.6**	**(65.9)**	**(96.5)**	**573.1**	**325.0**	**(292.0)**	**116.5**
Assets	73.7	264.2	324.7	376.5	683.7	275.9	(14.1)
Liabilities	(66.9)	330.1	421.1	(196.6)	358.7	567.8	(130.5)
Financial Derivatives (other than reserves) and Employee Stock Options	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investments	**68.7**	**(545.0)**	**(478.1)**	**(202.4)**	**(71.7)**	**135.5**	**146.4**
Assets	14.3	(379.6)	171.5	(91.9)	(42.0)	(2.4)	209.6
Liabilities	(54.4)	165.3	649.6	110.5	29.8	(137.9)	63.2
Reserve Assets	**(77.7)**	**654.7**	**936.2**	**(69.8)**	**936.8**	**625.9**	**(396.9)**
Monetary gold	48.4	0.0	0.0	15.5	19.9	19.9	0.0
SDRs	(25.2)	132.6	99.5	(70.5)	(11.5)	(8.5)	2.9
Reserve Position in the IMF	0.0	0.0	0.0	0.1	(0.1)	(0.1)	0.0
Other Reserve Assets	(100.9)	522.0	836.7	(15.0)	928.5	614.6	(399.7)
Net Errors and Omissions	**107.9**	**159.3**	**178.8**	**154.1**	**152.4**	**144.6**	**(37.2)**

Source: The Bank of Albania

Notes:

(1) INSTAT compiles statistics for foreign trade, while the Bank of Albania compiles and releases overall balance of payment statistics (which include foreign trade data received from INSTAT). The balance of payments statistics set out in the above table have been compiled in compliance with international standards laid down in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* ("***BPM6***").

(2) Certain figures in this table have been revised and differ from previously published figures.

Current Account

Albania's current account deficit between 2019 and 2023 averaged 6.3% of nominal GDP. A substantial part of Albania's current account deficit is attributable to high domestic demand for imports and fluctuations in income from exports. Fluctuations in secondary income are primarily driven by remittances, while fluctuations in primary income are primarily driven by employer compensation inflows and investment outflows.

In 2023, Albania's current account deficit accounted for 1.0% of GDP, as compared to 6.0% in 2022. Albania's current account deficit decreased to €263.8 million in 2023 from €1,063.3 million in 2022, reflecting a decrease of €799.5 million, or 75.2%. The decrease in the current account deficit was primarily due to an increase in the services account surplus of €956.5 million, or 39.8%, which was, in turn, primarily due to an increase in travel receipts from the strong performance of the tourism sector in 2023.

In the six months ended 30 June 2024, Albania's current account deficit was €574.2 million, as compared to €377.3 million in the corresponding period in 2023. This increased deficit was primarily due to an increase in the trade deficit (in particular relating to the trade of goods).

Net Exports and Trade Balance

In 2023, Albania's trade deficit (including trade of goods and services) was €1,182.1 million, as compared to €1,867.6 million in 2022, reflecting a decrease in the deficit of €685.5 million, or 36.7%. In 2023, the trade deficit represented 6.0% of nominal GDP, as compared to 10.0% of nominal GDP in 2022. Exports of goods and services were €8,407.7 million in 2023, as compared to €6,733.9 million in 2022, reflecting an increase of €1,673.8 million, or 24.9%.

In the six months ended 30 June 2024, Albania's trade deficit was €1,097.7 million, as compared to €806.6 million in the corresponding period in 2023. This increased deficit was due to an increase of trade in goods deficit, which was only partially offset by the trade in services surplus.

Services Account

The net balance of the services account registered a surplus of €3,357.8 million in 2023, as compared to a surplus of €2,401.3 million in 2022. This increase in the surplus was primarily due to increases of €769.0 million and €145.2 million, respectively, in the travel and manufacturing services surpluses.

In the six months ended 30 June 2024, the net balance of the services account registered a surplus of €1,493.4 million, as compared to €1,304.4 million in the corresponding period in 2023. The increase in the surplus increase was primarily due to an increase in net travel receipts and receipts from other business services.

Primary Income

Albania's primary income account registered a net deficit in each year between 2019 to 2023. In 2023, the primary income account registered a deficit of €278.4 million, as compared to a deficit of €314.8 million in 2022, reflecting a decrease in the deficit of €36.3 million, or 11.5%. This decrease was primarily due to an approximately 25% increase in receipts from the compensation of employees.

In the six months ended 30 June 2024, Albania's primary income account registered a net deficit of €110.3 million, as compared to €141.2 million in the corresponding period in 2023. This decrease in deficit was primarily due to an approximately 20% increase in receipts from the compensation of employees.

Secondary Income

The secondary income account registered a surplus of €1,196.8 million in 2023, as compared to a surplus of €1,119.1 million in 2022, reflecting an increase of €77.7 million, or 6.9%. Net flows in the secondary income account were estimated at 5.6% of nominal GDP in 2023 and 6.2% of nominal GDP in 2022. The increase in the secondary income surplus in 2023 was primarily due to an increase in workers' remittances inflows.

In the six months ended 30 June 2024, Albania's secondary income account registered a net surplus of €633.8 million, as compared to €570.5 million in the corresponding period in 2023. This increased surplus was primarily due to an approximately 15% increase in workers' remittances inflows.

Capital and Financial Accounts

Capital Account

The capital account recorded a surplus of €45.8 million in 2023, as compared to €20.1 million in 2022, reflecting an increase of €25.7 million, or 127.9%. The capital account represented 0.2% of nominal GDP in 2023, an increase from 0.1% in 2022. The increase in the capital account surplus in 2023 was primarily driven by higher inflows of foreign grants to the general Government for budgetary purposes. This increase was partially offset by an increase in outflows from financial corporations, non-financial corporations, households and non-profit institutions serving households in 2023, as compared to 2022.

The combination of net non-financial transactions in the current account and capital account renders the net position of a domestic economy as a net lender, if in surplus, and a net borrower, if in deficit, versus non-resident economies. Conceptually, this result is equal to the net balance of the financial account, which reflects the manner in which the net lending position or net borrowing position by non-residents is being financed.

In 2023, Albania's economy held a net borrowing position of €218 million, as compared to a net borrowing position of €1,043.1 million in 2022.

For the six months ended 30 June 2024, the capital account recorded a net deficit of €137.2 million, as compared to a surplus of €134.9 million in the corresponding period in 2023. This deficit in the six months ended 30 June 2024 was primarily driven by increased outflows from financial corporations, non-financial corporations, households and non-profit institutions serving households, coupled with reduced inflows of foreign grants.

Financial Account

The financial account registered net liabilities of €65.5 million in 2023, as compared to €889 million in 2022, reflecting a decrease in net liabilities of €823.5 million, or 92.6%. Net liabilities of the financial account represented 0.3% of nominal GDP in 2023, as compared to 4.9% in 2022. This reduction in financial account liabilities in 2023 was primarily driven by a higher acquisition of assets in debt securities by resident deposit-taking corporations and other financial corporations, as well as a decline in the net incurrence of liabilities, particularly in general government loans and trade credit and advances. Financial account net liabilities represented 25% of the current account deficit registered in 2023.

For the six months ended 30 June 2024, the financial account registered net liabilities of €748.5 million, as compared to €96.9 million in the corresponding period in 2023. This increase in financial account liabilities was primarily due to higher inflows of direct investment liabilities.

Foreign Direct Investment

The financial account received €1,255.6 million of net FDI (representing 5.7% of nominal GDP) in 2023, as compared to €1,189.9 million (representing 6.6% of nominal GDP) in 2022, reflecting an increase of €65.7 million, or 5.5%. Net FDI was €968.6 million in the nine months ended 30 September 2024 (representing 5.3% of nominal GDP).

FDI represents an important foreign currency inflow in financing the trade and current account deficits. The net FDI to current account deficit ratio was 476.1% in 2023, as compared to 111.7% in 2022.

The following tables sets forth details of Albania's FDI for the periods indicated.

Net Foreign Direct Investment[1]

	For the year ended 31 December					For the six months ended 30 June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
	(€ millions)						
Net FDI	1,036.3	893.6	989.9	1,189.9	1,255.6	566.4	614.4
Net FDI/GDP *(%)*	7.4	6.7	6.5	6.6	5.7	2.9	2.7
Net FDI/Current account deficit *(%)*	95.2	77.5	84.9	111.9	476.1	150.1	107.0
Net FDI/Balance of trade *(%)*	55.1	46.3	48.7	63.7	106.2	70.2	56.0

Sources: INSTAT and The Bank of Albania

Note:
(1) Certain figures in this table have been revised and differ from previously published figures.

Foreign Direct Investment Stock by Country[1]

	For the year ended 31 December					For the six months ended 30 June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
	(%)						
Greece	5.9	5.4	2.7	1.9	1.7	1.9	1.7
Canada	14.0	13.2	13.0	13.1	12.6	12.9	12.6
Switzerland	18.7	19.6	18.8	17.0	16.0	16.4	15.3
Netherlands	15.2	16.3	15.7	15.9	16.9	16.3	16.5
Italy	9.4	10.2	10.5	10.5	10.9	10.9	11.1
Türkiye	7.5	7.5	7.7	7.7	7.7	7.3	8.1
Bulgaria	6.0	5.4	7.6	6.6	6.1	6.3	5.9
Austria	6.9	7.0	6.4	6.1	5.7	6.2	5.7
Cyprus	2.5	2.2	2.1	2.1	2.0	2.0	2.0
Germany	1.7	1.8	2.2	2.8	2.9	2.8	3.0
France	3.9	3.5	3.5	3.5	3.7	3.6	3.9
International Organisations	0.6	0.4	0.3	0.3	0.3	0.3	0.3
Other	7.7	7.5	9.4	12.5	13.3	13.0	13.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The Bank of Albania

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Foreign Direct Investment Stock by Country[1]

	For the year ended 31 December					For the six months ended 30 June	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
	(€ millions)						
Greece	474.2	460.9	253.8	208.2	231.1	236.9	245.0
Canada	1,114.9	1,118.6	1,204.6	1,450.2	1,676.6	1,593.7	1,804.5
Switzerland	1,492.1	1,665.9	1,745.8	1,875.6	2,115.4	2,036.4	2,201.2
Netherlands	1,209.3	1,383.8	1,458.3	1,761.1	2,237.2	2,014.9	2,374.6
Italy	753.2	866.2	978.5	1,163.7	1,452.1	1,346.6	1,591.6
Türkiye	596.2	633.7	715.2	849.9	1,025.9	904.9	1,161.2
Bulgaria	478.1	456.8	701.1	735.7	814.1	785.0	846.1
Austria	549.7	597.7	598.3	674.7	760.3	772.1	822.4
Cyprus	199.9	182.8	197.4	230.4	269.4	253.1	294.1
Germany	133.2	148.6	205.2	308.5	385.2	353.0	434.2
France	307.4	297.0	323.7	391.0	489.3	439.8	558.8
International Organisations	51.0	34.1	30.8	32.5	35.8	34.9	37.1
Other	614.8	635.9	870.6	1,382.1	1,768.6	1,616.1	2,005.1
Total	**7,974.07**	**8,481.946**	**9,283.336**	**11,063.57**	**13,260.96**	**12,387.4**	**14,376.0**

As at 31 December 2019, 2020, 2021, 2022, Switzerland accounted for the largest proportion of Albania's total FDI stock, accounting for 18.7%, 19.6%, 18.8%, and 17.0% respectively. The increase in the proportion of FDI from Switzerland since 2019 is primarily due to projects in the energy and mining sectors. As at 31 December 2023 and 30 June 2024, the Netherlands accounted for the largest proportion of Albania's total FDI stock, accounting for 16.8% and 16.5% of total FDI stock, respectively.

The following table sets forth details of Albania's FDI stock, by industry, as at the dates indicated.

Foreign Direct Investment Stock by Industry[1]

	As at 31 December					As at 30 June
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(%)					
Information and communications	12.8	12.6	11.7	10.9	10.3	10.0
Financial and insurance	13.3	13.1	13.1	12.3	11.8	11.7
Energy, gas and air supply	29.6	30.2	27.7	26.1	25.0	24.3
Mining	14.5	14.5	15.3	16.0	16.6	16.5
Manufacturing	8.4	8.5	8.5	8.9	8.9	9.1
Professional, scientific and technical activities	5.9	6.0	6.1	5.7	5.4	5.4
Wholesale, retail, car and motorbike repair activities	3.6	3.7	3.9	4.4	4.9	5.0
Real estate	6.2	6.7	8.3	10.1	11.8	12.5
Transport and accommodation services	1.5	0.8	1.2	1.4	0.9	1.0
Construction	1.5	1.6	1.9	1.8	1.4	1.4
Administrative and support services	1.0	1.0	0.9	1.1	1.4	1.4
International organization related activities	0.6	0.4	0.3	0.3	0.2	0.2
Art, entertainment and recreation activities	0.5	0.3	0.3	0.4	0.4	0.4
Health and social work activities	0.3	0.3	0.3	0.4	0.4	0.4
Education	0.2	0.2	0.2	0.2	0.3	0.3
Agriculture, forestry and fishing	0.1	0.1	0.1	0.1	0.1	0.1
Water supply	0.0	0.1	0.1	0.1	0.1	0.1
Other services	0.0	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The Bank of Albania

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

As at 30 June 2024, FDI stock to the energy, gas and air supply sector accounted for the largest portion of Albania's total FDI stock, accounting for 24.3%. FDI stock to the energy, gas and air supply sector increased to €3,316.2 million as at 31 December 2023 from €2,884.3 million as at 31 December 2022, reflecting an increase of €431.9 million, or 15%.

Other significant contributors to total FDI include the mining sector (accounting for 16.5% of total FDI stock as at 30 June 2024), the real estate sector (accounting for 12.5% of total FDI stock as at 30 June 2024) and the financial and insurance sector (accounting for 11.7% of total FDI stock as at 30 June 2024).

Major FDI Projects

The following projects have contributed to the growth of net FDI inflows since 2019:

- *The Trans-Adriatic Pipeline Project:* The TAP project had a total financing commitment of €1.5 billion between 2015-2019. As at 31 March 2021, investment in the TAP was €1,438.3 million, of which €828.6 million had been allocated to construction (with the remainder allocated to other costs, including costs of imported materials, property acquisitions, management, insurance and contingency costs). In September 2021, the consortium for the TAP project announced the transportation of the first 5 bcm of gas to Europe since the pipeline began operations in December 2020. See "*The Albanian Economy—Principal sectors of the Economy—Energy—Energy Sector Reform—Infrastructure Development*".

- *Devoll Project*: This project involved the construction of three major hydro power plants on the Devoll River at a cost of approximately €500.0 million and was undertaken in conjunction with Norwegian company Statkraft. Two hydro power plants (Banjë HPP and Moglicë HPP) are operational and the investment decision for a third hydropower plant, Kokël HPP, is expected to be considered now the first two hydropower plants have been completed. This project is expected to expand Albania's electricity generation capacities to a total production capacity of approximately 789 GWh annually. See "*The Albanian Economy—Principal Sectors of the Economy—Energy—Energy Sector Reform—Infrastructure Development*".

- *Solar Power Plants:* The Government is focused on diversifying energy sources. A number of solar power plants projects are underway or have been completed. See *"The Albanian Economy—Principal Sectors of the Economy—Energy—Infrastructure Development—Solar Power Plants".*

- *Durres Port:* In line with the National Sectoral Plan of Marine Transportation and Port Infrastructure approved in October 2020, the port of Durrës is expected to be converted into a modern marina, with the commercial port transferred to Porto Romano. See *"The Albanian Economy—Principal Sectors of the Economy—Transport and Infrastructure—Maritime Transport".*

- *Thumane – Kalshar road:* The concession contract in respect of the construction of this road segment was approved in 2022. Construction has been completed and the road has been opened to the traffic.

Portfolio Investments and Net Other Investments

Net portfolio investments registered net outflows (assets) of €325.0 million in 2023, as compared to €573.1 million in 2022. The net assets recorded in 2023 were primarily driven by a significant increase in assets (largely due to the expansion of the debt securities portfolio held by resident deposit-taking corporations and other financial corporations, as compared to 2022.

The other investment account recorded net inflows (liabilities) of €71.7 million in 2023, as compared to net inflows (liabilities) of €202.4 million in 2022. The net inflows recorded in 2023 were primarily due to a negative net acquisition of assets amounting to €42 million, driven by a reduction in deposits placed abroad by resident deposit-taking corporations with non-residents. The net inflows recorded in 2022 were primarily due to a negative net acquisition of assets in the amount of €92 million, driven by a fall in deposits placed abroad by resident banks to non-residents and the net incurrence of liabilities in the amount of €110 million in 2022.

Foreign exchange reserve assets registered a surplus of €936.8 million in 2023, as compared to a deficit of €69.8 million in 2022. The surplus in 2023 was primarily due to currency and deposits and Eurobond issue (which was denominated in Euro) during the year. The deficit in 2022 was primarily due to the foreign currency debt service, leading to a reduction in Government foreign exchange deposits, including a reduction in SDR deposits by €70.5 million.

For the six months ended 30 June 2024, net portfolio investments recorded net assets (outflows) of €116.5 million, as compared to net liabilities (inflows) of €292 million during the corresponding period in 2023. The net assets recorded in the six months ended 30 June 2024, were primarily due to a reduction in Government debt securities held by non-residents.

Foreign exchange reserves registered a deficit of €396.9 million in the six months ended 30 June 2024, primarily due to the Government debt service, as well as net negative transfers from banks.

Net errors and omissions

Due to problems that may be faced in the sources of information and during the compilation of the external sector statistics, the balance of payment figures are subject to certain discrepancies. These are aggregated and accounted for under the balancing item of net errors and omissions. In 2023, net errors and omissions registered a positive balance of €152.4 million (0.7% of nominal GDP), as compared to a positive balance of €154.1 million (0.9% of nominal GDP) in 2022.

In the six months ended 30 June 2024, net errors and omissions registered a negative balance of €37.2 million, as compared to a positive balance of €144.6 million in the corresponding period in 2023.

Foreign Trade

Albania has liberalised its foreign trade since 1990 and follows guidelines set by the EU and the WTO. Albania has been a member of the WTO since 2000 and applies WTO rules on import licencing. See "*The Republic of Albania—International Relations*". As a result of this liberalisation and an ongoing process of harmonisation of Albanian customs rules with the EU system, imports and exports of commodities are not generally subject to special authorisation requirements. Exceptions apply to quotas or control requirements imposed through different bilateral or multilateral agreements signed by Albania.

An important achievement towards EU integration, the SAA (the Stabilisation and Association Agreement) between Albania and the EU was ratified in April 2009, including a provision for the establishment of a free trade area between Albania and the EU within ten years. See "*The Republic of Albania—International Relations—European Union*."

In December 2009, Albania signed a free trade agreement with the European Free Trade Association ("**EFTA**"). The EFTA member states are: Iceland, Liechtenstein, Norway and Switzerland.

Albania has also concluded a free trade agreement with Türkiye, which entered into force in May 2008. In addition, Albania follows the General System of Preferences, the U.S. trade programme providing for preferential U.S. duty-free treatment on certain products.

Foreign trade of goods and services in Albania represented 84.3% of nominal GDP in 2023, reflecting the small size and open nature of Albania's economy.

The following table sets forth information on Albania's imports and exports by sector, for the periods indicated.

Imports and Exports by Sector[1]

	For the year ended 31 December					For the nine months ended 30 September	
	2019	2020	2021	2022	2023	2023	2024
	(€ millions)						
Imports							
Food, Beverages and Tobacco	897.2	896.2	1,061.9	1,254.2	1,339.9	984.5	1,153.5
Minerals, Fuels and Electrical Energy	627.9	440.8	858.3	1,442.6	937.1	698.0	680.9
Chemical and Plastic Products	721.3	735.4	936.6	983.8	1,048.3	777.5	848.6
Leather and Related Products	140.9	102.1	121.8	143.1	125.5	95.4	86.7
Wood and Paper Products	209.9	194.0	235.9	296.0	276.2	203.4	219.3
Textiles and Shoes	708.9	609.7	741.7	855.5	865.7	634.2	630.8
Construction Materials and Metals	637.7	632.3	913.1	1,152.4	1,128.8	820.6	909.6
Machinery and Parts	1,127.9	1,081.2	1,389.0	1,571.8	1,957.2	1,437.3	1,736.1
Others	205.2	198.7	280.4	288.2	342.2	242.6	293.6
Total	**5,276.8**	**4,890.3**	**6,538.6**	**7,987.7**	**8,020.9**	**5,893.7**	**6,559.0**
Exports							
Food, Beverages and Tobacco	287.6	315.5	363.2	434.6	511.6	378.6	380.0
Minerals, Oil and Electrical Energy	408.7	322.5	566.1	903.4	864.3	680.3	544.2
Chemical and Plastic Products	62.2	59.9	87.2	148.1	150.2	106.0	116.7
Leather and Related Products	19.9	14.6	17.8	24.3	24.0	18.8	14.9
Wood and Paper Products	78.0	69.8	82.9	120.0	102.7	76.8	73.4
Textiles and Shoes	960.9	826.9	918.3	1,136.5	1,160.9	870.4	778.4
Construction Materials and Metals	368.9	337.8	653.9	885.5	765.1	535.4	532.4
Machinery and Parts	169.8	181.0	235.9	333.6	359.1	271.6	278.0
Others	73.0	69.3	86.2	105.2	108.9	82.7	98.4
Total	**2,428.9**	**2,197.3**	**3,011.3**	**4,091.3**	**4,046.9**	**3,020.5**	**2,816.3**

Sources: INSTAT and The Bank of Albania

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Since 2019, the value of total imports has increased from €5,276.8 million to €8,020.9 million in 2023, an increase of 52.0%. Import growth since 2019 has been primarily driven by growth in the machinery and parts, food, beverages and tobacco, construction materials and metals, chemical and plastic products and minerals, fuels and electrical energy sectors. Growth of imports in the food, beverages and tobacco sector since 2019 has been primarily driven by the general growth in household consumption and tourism activities. Growth of imports in the machineries, equipment and spare parts minerals, fuels and electrical energy and construction materials and metals sectors since 2019 has been driven by increases in prices of unprocessed fuels and industrial metals and electricity production, as well as increased demand.

Imports of machinery and parts have accounted for the largest proportion of imports in each year since 2019, accounting for 21.4% in 2019, 22.1% in 2020, 21.2% in 2021, 19.7% in 2022 and 24.4% in 2023. The large proportion of machinery and parts imports are primarily due to the fact that Albania does not produce high technology goods domestically and, accordingly, imports such goods. The extracting, manufacturing, telecommunications and transport industries are the main importers of machinery and parts. Machinery and parts imports also include imports of capital goods for final consumption, including cars, motors, computers and electrical appliances, which are not produced domestically in Albania.

In 2023, the value of total imports increased to €8,020.9 million, as compared to €7,987.7 million in 2022, reflecting an increase of €33.2 million, or 0.4%. The growth was primarily driven by higher imports of machinery and equipment, as well as food, beverages and tobacco imports, reflecting the general increase in household consumption, tourism activity and developments in construction investments.

In the nine months ended 30 September 2024, the value of total imports increased to €6,559.0 million, as compared to €5,893.7 million in the corresponding period in 2023, reflecting an increase of €665.3 million, or 11.3%. This increase was primarily driven by increased imports of machinery, equipment and spare parts and food, beverages and tobacco.

The comparatively high dependency on imports of certain production sectors and levels of consumer demand, coupled with falling import prices (in certain cases as a result of domestic exchange rate appreciation) has stimulated high import growth, particularly since 2019. In particular, Albania's domestic electricity and power production is dependent on its

hydropower activities. In terms of electricity generation, in 2022, 98% of electricity was generated from hydropower, with the remaining 2% from solar power. Accordingly, Albania's energy sector is affected by droughts and other adverse climatic events, which impact Albania's hydropower activities, and increase Albania's need for, and dependence on, electricity imports. Electricity from electricity imports accounted for 41.7% in 2019 before increasing to 42.7% in 2020 and falling to 26.8% in 2021 and 38.4% in 2022. In 2023, Albania imported 1,922 GWh, or 18.9% of its total energy consumption, from various sources under long-term supply contracts. Meanwhile exports for 2023 were 2,842 gigawatt hours, with a net export balance of 920 GWh. Energy imports have fluctuated in recent years, from net imports of 921 GWh, or 11.6% of total energy consumption, in 2022, to 920 GWh of net exports in 2023 (due to good hydrological conditions). "*Risk Factors—Risks relating to the Republic—Energy, Food and Water Security Risks*".

Since 2019, the value of total exports of goods has increased from €2,428.9 million to €4,046.9 million in 2023, an increase of 66.6%. Export growth since 2019 has been primarily driven by growth in the minerals, oil and electrical energy sector, the construction materials and metals sector, and the food, beverages and tobacco sector. In 2023, textile and shoes exports increased by 2.1%, as compared to 2022. Growth of exports in the construction materials and metals sector since 2019 has been primarily driven by exports of such materials to Italy and neighbouring countries, including Kosovo and Macedonia.

In 2023, the total value of exports of goods decreased to €4,046.9 million, as compared to €4,091.3 million in 2022, reflecting a decrease of €44.3 million, or 1.1%. This decrease is largely due to the reduction in mineral oil and energy exports in 2023, and is closely linked to global price developments for unprocessed fuels and electricity. Additionally, declining metal prices have impacted the export revenues from mineral commodities.

In the nine months ended 30 September 2024, the value of total exports of goods decreased to €2,816.3 million, as compared to €3,020.5 million in the corresponding period in 2023, reflecting a decrease of €204.3 million, or 6.8%. The decrease was mainly driven by decreased exports of minerals, fuels, electricity and textiles and footwear.

Focus of Trade

The following tables set forth Albania's exports and imports of goods, by origin or destination, as a percentage of total exports and imports and in value, for the periods indicated.

Exports and Imports of Goods by Origin or Destination[(1)]

	For the year ended 31 December					For the nine months ended 30 September	
	2019	**2020**	**2021**	**2022**	**2023**	**2023**	**2024**
				(%)			
Exports							
Italy	47.9	45.4	42.2	43.2	42.9	43.4	43.4
Kosovo	10.0	9.6	10.2	7.8	9.3	9.4	10.2
Spain	8.0	6.1	6.4	4.8	4.3	4.4	3.4
Germany	4.7	5.9	5.5	6.6	5.2	5.4	5.7
Greece	4.3	4.9	5.8	5.2	6.5	6.9	6.2
China	2.1	1.8	2.5	2.0	2.3	2	2.9
Serbia	1.8	2.3	2.7	2.8	2.3	2.2	2.4
Macedonia	2.9	3.3	3.4	4.0	3.6	4	3.4
Malta	0.3	0.2	0.3	0.2	0.1	0.1	0.1
Türkiye	0.7	1.1	1.4	1.3	1.2	0.9	1.1
Others	17.4	19.3	19.6	22.2	22.3	21.3	21.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Imports							
Italy	25.3	25.1	24.3	21.7	22.2	22.3	21.1
Türkiye	9.5	9.6	10.8	12.1	9.7	9.6	11.1
China	9.2	8.9	8.1	8.2	10.7	10.8	10.5
Greece	8.4	9.0	8.0	7.8	6.5	6.6	7.7
Germany	7.2	7.7	6.9	6.2	6.7	7.0	7.1
Serbia	3.6	3.8	3.5	3.4	2.8	2.9	2.4
Russia	1.8	2.2	1.9	1.1	0.5	0.5	0.4
United States	1.9	1.6	1.8	1.4	2.0	2	2.2
Spain	1.8	1.6	1.4	1.7	1.5	1.6	1.5
France	2.0	2.0	1.6	1.5	1.5	1.5	1.6
Others	29.4	28.5	31.7	35.0	35.5	35.2	34.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: INSTAT and The Bank of Albania

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Exports and Imports of Goods by Origin or Destination[1]

	For the year ended 31 December					For the nine months ended 30 September	
	2019	2020	2021	2022	2023	2023	2024
				(€ millions)			
Exports							
Italy	1,163.3	997.9	1,271.9	1,768.6	1,737.1	1,311.1	1,222.2
Kosovo	242.3	212.1	307.8	317.5	376.1	282.5	286.5
Spain	193.8	134.1	192.5	196.3	173.7	132.4	95.9
Germany	115.4	129.3	164.6	268.6	212.3	162.7	161.7
Greece	103.9	106.7	174.8	212.9	263.4	207.3	174.1
China	50.5	40.4	74.0	82.5	92.6	61.7	82.7
Serbia	43.8	50.7	81.5	113.4	91.2	67.7	68.3
Macedonia	69.6	71.5	102.4	162.1	147.0	120.3	96.2
Malta	7.2	5.1	7.5	6.6	2.7	2.1	3.7
Türkiye	16.7	24.8	43.2	54.2	47.3	28.0	29.9
Others	422.3	424.5	591.1	908.5	903.5	644.7	595.1
Total	**2,428.9**	**2,197.3**	**3,011.3**	**4,091.3**	**4,046.9**	**3,020.5**	**2,816.3**
Imports							
Italy	1,334.7	1,227.9	1,587.8	1,730.3	1,781.3	1,313.1	1,382.6
China	485.5	436.6	532.4	651.2	861.7	634.1	688.8
Greece	441.7	440.0	522.8	625.9	523.2	388.0	502.1
Türkiye	502.4	468.2	703.1	963.3	777.6	568.2	725.8
Germany	377.9	376.5	448.7	492.2	566.2	412.0	467.2
Serbia	187.4	185.6	228.9	270.6	225.3	171.6	158.3
United States	100.3	76.0	119.0	109.9	159.0	118.8	145.8
Spain	93.8	79.1	94.1	137.3	120.9	93.2	98.0
Russia	94.4	109.2	122.8	91.8	40.0	31.5	28.2
France	105.9	95.6	104.4	118.5	120.3	89.6	108.1
Others	1,552.8	1,395.7	2,074.6	2,796.7	2,845.4	2,073.6	2,254.1
Total	**5,276.8**	**4,890.3**	**6,538.6**	**7,987.7**	**8,020.9**	**5,893.7**	**6,559.0**

Sources: INSTAT and The Bank of Albania

In 2023, Italy was the largest importer of Albanian goods, purchasing 42.9% of total exports in 2023, as compared to 43.2% in 2022. Exports to Italy are primarily comprised of textiles and footwear exports (which accounted for 51.7% of total exports to Italy in 2023), construction materials and metals exports (which accounted for 13.1% of total exports to Italy in 2023), machinery exports (which accounted for 11.0% of total exports to Italy in 2023) and minerals and fuel exports (which accounted for 5.1% of total exports to Italy in 2023). Albania's second largest trading partner for exports in 2023 was Kosovo, which accounted for 9.3% of total exports in 2023, as compared to 7.8% in 2022. Exports to Kosovo are primarily comprised of construction materials and metals exports (which accounted for 41.2% of total exports to Kosovo in 2023), minerals and fuels exports (which accounted for 20.0% of total exports to Kosovo in 2023) and foods exports (which accounted for 16.1% of total exports to Kosovo in 2023).

Exports to Germany have increased from 4.8% of total exports in 2019 to 5.2% in 2023. The increase in exports to Germany is primarily due to an increase in exports of minerals and fuels. Whereas exports to Spain have decreased from 8.0% of total exports in 2019 to 4.3% in 2023. Exports to Spain are mostly comprised of mineral and fuels exports (which accounted for 88.7% of total exports to Spain in 2023).

Exports to China have increased in recent years, from 2.1% of total exports in 2019 to 2.3% in 2023, despite fluctuations in international prices, in particular for exports of chrome ore. Exports of minerals represents 97.6% of total exports to China.

Italy was also the source of the largest portion of Albanian imports in 2023, accounting for 22.2% of total imports, as compared to 21.7% in 2022. Imports from Italy are primarily comprised of textiles and footwear imports (which accounted for 21.8% of total imports from Italy in 2023), machinery imports (which accounted for 21.3% of total imports from Italy in 2023), construction materials imports (which accounted for 12.7% of total imports from Italy in 2023), chemicals imports (which accounted for 12.2% of total imports from Italy in 2023), food imports (which accounted for 15.0% of total imports from Italy in 2023) and leather and leather manufactured products imports (which accounted for 5.7% of total imports from Italy in 2023). Albania's next largest trading partners for imports in 2023 were Türkiye, China and Germany, each accounting for 9.7%, 10.7% and 6.7 % of total imports, respectively, as compared to 12.1%, 8.2% and 6.2% respectively, in 2022.

Remittances

Historically, remittances have contributed significantly to funding Albania's current account deficit. Despite economic difficulties in certain European countries, including Italy and Greece, remittances have increased year-on-year since 2020. Average remittance growth between 2019 and 2023 was 7%.

Remittances were negatively impacted by the impact of the COVID-19 pandemic. At the start of the COVID-19 pandemic, the adverse economic conditions, as well as the disruption to global travel, presented an obstacle in receipt of remittances (with a significant proportion of remittances previously typically brought into the country in cash).

The following table sets forth details of Albania's remittances for the periods indicated.

Remittances

	For the year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
Net remittances *(€ millions)*	701.9	673.3	761.0	833.7	928.0
Remittances/Trade deficit (G+S) *(%)*	37.3	36.8	37.4	44.6	78.5

Source: The Bank of Albania

In 2023, net remittances increased by €94.3 million, or 11.3%, to €928.0 million (representing 4.3% of GDP), as compared to €833.7 million (representing 4.6% of GDP) in 2022.

In the six months ended 30 June 2024, net remittances increased by €66.8 million, or 15%, to €509.9 million, as compared to €443.2 million in the corresponding period in 2023.

MONETARY AND FINANCIAL SYSTEM

The Bank of Albania

On 22 April 1992, the Bank of Albania was established and vested with the functions of the central bank of the Republic of Albania. Its operations are governed by Law № 8269 of 23 December 1997 "On the Bank of Albania" (the "**Bank of Albania Law**"), which outlines the Bank of Albania's powers and responsibilities. The Bank of Albania is the issuer of all Albanian currency. The Bank of Albania acts as banker and adviser to, and fiscal agent of, the Government, and is responsible for formulating and implementing Albania's monetary policy, supporting financial stability, implementing foreign exchange and exchange rate policy, managing foreign reserves, promoting the normal functioning of payment systems and regulating and supervising the banking sector, including, among other things, granting and revoking banking licenses. Since the entry into force of the Law "On the recovery and resolution of Banks in the Republic of Albania" in July 2017, the Bank of Albania has the authority to step in (as the resolution authority) and use resolution tools in connection with failing banks and bank insolvencies. See "*—The Albanian Banking Sector—Bank Resolution and Resolution Fund*".

The Bank of Albania's primary monetary objective is to achieve and maintain price stability. It is an independent and autonomous institution, accountable to the Assembly, with paid-up capital owned exclusively by the Republic. The Bank of Albania is governed by the Supervisory Council, which consists of the governor, two deputy governors and six other members. The governor is appointed by the Assembly, and the two deputy governors are appointed by the Supervisory Council. The term of office of the members of the Supervisory Council is seven years. In September 2014, the then-governor and the internal auditor of the Bank of Albania were removed from office by the Assembly, upon the request of the Supervisory Council of the Bank of Albania, on charges of dereliction of duty relating to a vault theft in which a mid-level employee of the Bank of Albania is alleged to have stolen U.S.$6.6 million over a four-year period. In February 2015, the Assembly appointed Mr. Gent Sejko as the governor of the Bank of Albania. Mr. Sejko was re-elected as the governor of the Bank of Albania for a second term by the Assembly on 24 February 2022.

In 2018, the Bank of Albania signed a Memorandum of Understanding with the ECB in respect of banking supervision. Pursuant to the Memorandum of Understanding, the Bank of Albania and the ECB have agreed to cooperate with each other on the basis of mutual trust and understanding for the purpose of performing supervisory tasks in respect of cross border credit institutions that fall within their supervisory responsibility. The Memorandum of Understanding sets out how information can be exchanged and supervision can be conducted effectively.

The Bank of Albania is engaged in a medium-term project to amend the Bank of Albania Law to align it more fully with the European System of Central Banks and is currently working with international partners to draft the relevant amendments. In September 2015, the European Banking Authority added the Bank of Albania to the list of non-EU or third country supervisory authorities that may participate in EU banking supervisory colleges (a flexible structure comprised of an international bank's "home" and "host" supervisors, which is aimed at information sharing and cooperation).

In April 2017, a memorandum of understanding was signed among the Bank of Albania, the Ministry of Finance and the Albanian Financial Supervisory Authority (the AFSA) to increase the use of the Lek in the Albanian financial system and economy (the de-Euroisation policy) with the aim of improving the transmission of monetary policy and reducing risks to financial stability. See "*—Monetary Policy*".

The following table sets forth the balance sheet of the Bank of Albania as at the dates indicated.

Balance Sheet of the Bank of Albania

	As at 31 December					As at 31 October 2024
	2019	2020	2021	2022	2023	
	(ALL millions)					
Total Assets	**539,621.7**	**627,704.6**	**749,813.0**	**732,739.1**	**767,293.9**	**745,312.50**
Monetary gold and SDR holdings	24,187.9	41,289.9	54,478.8	46,713.6	44,489.2	50,045.19
Foreign currency	98.3	33.7	90.2	59.8	54.8	26.02
Deposits	152,387.6	200,001.8	274,042.4	89,699.2	128,391.7	116,570.05
Securities other than shares	283,678.9	309,231.7	333,221.4	499,531.8	506,085.3	487,842.39
Loans	36,097.8	34,715.4	43,768.7	53,391.3	46,918.9	50,794.38
Financial derivatives	13.8	11.8	13.9	5.3	(0.1)	0.0
Receivable accounts	22,325.3	21,443.3	22,551.2	21,282.2	19,104.0	17,985.28
Non-financial assets	20,832.0	20,977.0	21,646.5	22,055.9	22,250.1	22,049.19
Total Liabilities and Capital	**539,621.7**	**627,704.6**	**749,813.0**	**732,739.1**	**767,293.9**	**745,312.50**
Currency in circulation	303,092.6	355,481.6	378,384.5	401,438.5	408,275.8	417,935.66
Deposits included in broad money	102.2	57.4	53.9	56.4	58.9	66.51
Deposits excluded from broad money	194,622.7	230,751.7	312,786.1	299,494.5	345,456.1	320,880.28
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable	1,690.8	943.4	1,434.5	879.9	1,071.0	695.98
SDR allocation	6,987.3	6,747.6	26,836.7	25,757.0	22,840.1	21,842.89
Shares and other equity	33,126.1	33,723.0	30,317.3	5,112.7	(10,408.0)	(16,108.83)

Source: The Bank of Albania

The Ministry of Finance maintains deposit accounts denominated in Lek, Euros, U.S. dollars and SDR with the Bank of Albania. In 2023, the average balance was ALL 108.8 billion (based on the 2023 average), according to account information provided by the Bank of Albania to the Ministry of Finance's Treasury Office.

Monetary Policy

Pursuant to Article 3, paragraph 4(a)(1) of the Bank of Albania Law, the Bank of Albania's duty is "to independently formulate, adopt and implement the monetary policy of Albania, consistent with its main objective". The Bank of Albania acts independently in setting targets for its monetary policy and selecting operational instruments to achieve it. Monetary policy is communicated through quarterly monetary policy reports and press conferences held following meetings of the Supervisory Council.

The primary objective of the Bank of Albania's monetary policy is to achieve and maintain price stability. In accordance with its obligations arising from the Bank of Albania Law, the Bank of Albania formulates and implements policies seeking to achieve price stability by pursuing low but positive long-term inflation rates. In this respect, the Bank of Albania is committed to achieving and maintaining annual inflation at 3.0%. The inflation target is measured by the annual rate of change in CPI, as calculated and published by INSTAT. The main indicator of the balance of inflationary pressures in the economy is the deviation of the medium-term forecast inflation from the target. See "—*Inflation*".

In compliance with its policies regarding inflation, the Bank of Albania implements a free-floating exchange rate and is committed to maintaining sufficient levels of foreign reserves to cover at least four months of imports and 100% of Albania's short-term foreign debt. The Bank of Albania has developed a framework based on an optimisation methodology to adjust the adequate level of reserves accounting for financial stability considerations, as well as the cost of holding reserves. See "—*Foreign Reserve Assets*".

The instruments employed by the Bank of Albania in conducting monetary policy include open market operations and standing facilities. The Bank of Albania provides liquidity in the financial markets through reverse repurchase agreements ("**reverse repos**"), with maturities of one week to three months, although the Bank of Albania's primary tool for implementing monetary policy and its main open market operation is the seven-day maturity reverse repo. Since 1 January 2010, reverse repos have been issued by way of variable-price auctions; previously, these operations were conducted through fixed-price auctions.

In April 2017, a memorandum of understanding was signed among the Bank of Albania, the Ministry of Finance and the AFSA to further the de-Euroisation policy with the aim of improving the transmission of monetary policy and reducing risks to financial stability. In February 2018, the Bank of Albania adopted a number of reform measures in line with the de-Euroisation policy, including:

- ***Changing the mandatory reserve rate***. The mandatory reserve rate for foreign currency liabilities has been raised to 12.5% from 10%, while the mandatory reserve rate for Lek liabilities has been reduced to 7.5% from 10%. For banks with foreign currency liabilities accounting for more than 50% of their total liabilities, the required reserve rate in foreign currency has been increased to 20% in respect of liabilities in excess of this 50% threshold.

- ***Increasing the minimum regulatory requirement for the value of liquid assets in foreign currency***. Liquid assets denominated in foreign currency must comprise no less than 20% of short-term liabilities in foreign currency (increased from 15%). The requirement for liquid assets denominated in Lek remains at 15%.

- ***Raising borrowers' awareness of the risks of foreign currency borrowing***. The reform measures adopted by the Bank of Albania require banks to: (i) propose alternative Lek-denominated credit to borrowers; (ii) provide borrowers with a concrete example of how a foreign currency loan instalment may change in the case of movements in the exchange rate; and (iii) offer borrowers the option of employing mechanisms that mitigate exchange rate risk.

The Bank of Albania took a number of monetary policy measures in 2020 in response to the outbreak of the COVID-19 pandemic, with the aim of supporting Albanian households' and enterprises' access to credit, reducing risks to banks and supporting bank finance to the economy. As part of such measures, in 2020, the Bank of Albania increased the monetary stimulus measures available and undertook other regulatory measures aimed at maintaining both the uninterrupted flow of funds and financial services to the economy, as well as, preserving monetary and financial stability, including:

- cutting the interest rate to 0.5% and narrowing channels for standing facilities, by reducing the overnight lending facility interest rate to 0.9% (aimed at reducing the cost of debt financing and servicing the economy);

- increasing liquidity injections into the banking system through the adoption of an operational strategy which enables unlimited injections of liquidity (aimed at guaranteeing the smooth functioning of the financial market and the monetary policy transmission mechanism); and

- using forward guidance to inform the market on the stimulating monetary policy stance in the future (aimed at controlling the interest rates curve and the extension of its effect in time).

The Bank of Albania took a number of further monetary policy measures in 2022 and 2023, primarily in response to rising domestic and global inflation, as a result of the war in Ukraine, with the inflation rate increasing in line with global inflationary trends, reaching a high of 8.3% in October 2022. In an attempt to ease inflationary pressures, the Bank of Albania raised interest rates five times in 2022 and twice, in 2023, to 3.25%, its highest level in nine years. Increases to the interest rate in Albania were generally made concurrently with rate increases announced by the ECB. In each of July and November 2024, the Bank of Albania lowered its interest rate by 25 basis points to 2.75%, reflecting a reduction in inflation and positive trends in economic, monetary and financial stability during the first three quarters of 2024.

In the first three quarters of 2024, consumer inflation averaged 2.1%, as compared to 5.1% in the corresponding period of 2023, driven by lower oil prices and a slower rise in rental costs, though food prices recorded a slight increase. Albania's economy expanded by 4.0% in the first half of 2024. This growth was mainly supported by increased household consumption and higher investment activity.

Inflation

The following table sets forth the annual change of the CPI inflation rates based on changes in the annual average CPI and producer price index ("**PPI**") in Albania for the periods indicated.

Inflation Rates by CPI and PPI

	Annual average for the year ended				
	2020	**2021**	**2022**	**2023**	**2024**
			(%)		
CPI Inflation	1.6	3.7	7.4	4.0	2.1
PPI Inflation.....	(3.4)	5.3	21.4	21.4	—

Source: INSTAT

The Bank of Albania has a medium-term annual inflation target of 3.0%. While inflation remained below this target between 2012 and October 2021 and is currently expected to return to targeted levels in 2025, since November 2021, the inflation rate has increased in line with global inflationary trends, reaching a high of 8.3% in October 2022. Inflationary pressures were above target in each of 2022 and 2023, with inflation averaging 7.4% and 4.0%, respectively. The volatility of inflation in 2023 was primarily driven by oil and food prices, as well as prices of recreation and culture activities and furniture, household goods and maintenance costs. Annual headline inflation, as measured by the CPI, averaged 1.6% in 2020, 3.7% in 2021, 7.4% in 2022, 4.0% in 2023 and 2.1% in 2024.

The IMF forecasts the CPI growth rate to be 2.4% in 2025.

Money Supply

Money supply expanded at relatively moderate rates in recent years, reflecting subdued money demand and a preference for non-monetary instrument savings products. Since the November 2019 Earthquake and the outbreak of the COVID-19 pandemic in 2020, measures taken by the Government and the Bank of Albania to support economic activity have resulted in an acceleration of money growth. Between 2020 and 2022, M3 growth increased to an average of 8.4%, twice as much as the annual growth in the prior five years. Expanded Government spending, the introduction of guarantee schemes, as well as liquidity injections from the Bank of Albania, all contributed to an acceleration in money demand. Credit to the private sector improved, reflecting the expansion of the Lek credit portfolio and increased lending to corporates. Credit expansion increased to almost 14% as at 30 September 2022, supported by higher demand for liquidity from businesses and for mortgages from households. Credit growth decelerated in the last quarter of 2022, however, reflecting high levels of business credit repayments due to ample business liquidity. There was also a slowdown in household borrowing, in line with higher interest rates and tighter lending conditions. Between 2022 and 2023, household borrowing declined, as a result of higher interest rates and tighter lending conditions, resulting in a deceleration in credit growth. Since 2024, credit growth has accelerated, driven by business credit, doubling its annual growth to approximately 17.0% as at 30 September 2024. During the last quarter of 2024, credit growth was close to 16%, as compared to the corresponding period of 2023.

After a record low in 2014, credit to the private sector has since experienced a moderate increase, as a result of the low interest rate environment that prevailed prior to 2022 and improved lending conditions, as well as higher demand for bank financing. The share of Lek-denominated lending, as a percentage of total lending to the private sector, was 56% in 2023, reflecting an approximately 20% increase, as compared to 2014. Low interest rates for Lek-denominated instruments and an increased awareness of credit risks in foreign currency have facilitated this development. See "—*Monetary Policy*". The credit portfolio in foreign currency grew at a slower pace in 2023-2024.

The expansion of money supply has been sustained by the contribution of both credit to the private sector, as well as the net foreign assets of the banking system. The financing of the public sector with domestic financial instruments has also contributed to the expansion of money supply.

Banks primarily finance their intermediation activities with deposits from households. Year-on-year deposit growth was moderate in recent years to mid-2020, with increases in deposits led by deposits in foreign currency. Low interest rates have induced households to partially shift their savings to higher earning instruments, such as deposits with a maturity of

two years, or to more liquid assets, such as demand deposits or cash held outside of banks. During 2023, increased yields for government bills resulted in shifts of savings denominated in local currency to government bills, contributing to reduced growth in local currency deposits as at 30 September 2023. In the ten months ended 31 October 2024, deposits in Lek increased by approximately 9.3%, reflecting the increases in the Bank of Albania's policy rate, as well as the increase in Lek deposits held by the Government in the central bank account during 2023 and 2024, as compared to previous years.

The table below sets forth certain statistics relating to money aggregates as at the dates indicated.

Money Aggregates

	As at 31 December					As at 31 October
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
	(annual growth rate (%))					
M1 (*banknotes, coins, demand deposits*)	9.5	21.6	10.1	4.9	5.0	7.4
M2 (*M1 plus deposits in Lek*).....	3.6	13.8	6.5	2.3	3.5	7.2
M3 (*M2 plus deposit in foreign currency*)	4.3	10.5	8.6	4.9	2.3	3.9

Source: The Bank of Albania

As at 31 October 2024, the annual growth rate (as compared to 31 October 2023) of M1 was 7.4%, of M2 was 7.2% and of M3 was 3.9%.

Foreign Reserve Assets

The Bank of Albania's current framework for the management of foreign reserve assets was developed with the assistance of the World Bank, following the enrollment of the Bank of Albania in the Reserves Advisory Management Program in September 2005.

In February 2017, the Supervisory Council approved a new regulation, which sets out the purposes of maintaining foreign reserve assets. The Bank of Albania's investment policy was approved for the first time in 2000, and was significantly revised in 2006 and has been reviewed periodically thereafter, with the last review occurring in 2020. The objectives of the Bank of Albania's foreign exchange management, as set out in the investment policy, are subject to the approval by the Supervisory Council and primarily consist of liquidity and security, followed by the generation of reasonable returns in the medium- to long-term. The Bank of Albania is committed to maintaining an adequate level of foreign reserves in order to shield against potential pressures originating from adverse developments in the external balance of the economy and to safeguarding financial stability.

The framework for assessing the adequacy of foreign reserve assets takes into account the cost of holding reserves, while requiring that foreign reserves are sufficient to cover at least four months of imports and 100% of Albania's short-term external debt. Any market interventions made by the Bank of Albania for purposes of increasing reserves are scheduled and announced.

The Bank of Albania's Investment Committee approves the quantitative criteria applied to the management of foreign reserve assets based on the limits set forth by the Supervisory Council and monitors the compliance with the restrictions for permitted levels of risk and foreign reserve investment portfolio performance.

In accordance with the decisions of the Supervisory Council on eligible instruments, foreign reserve assets are invested in fixed or floating rate income securities, in deposits or certificates of deposit and in derivative instruments. The remaining foreign reserve assets are held in SDRs and in monetary gold.

As at 31 December 2024, none of the Bank of Albania's foreign reserve assets were pledged, collateralised or otherwise encumbered.

The table below sets forth the total foreign reserve assets (including gold) held by the Bank of Albania and reserve adequacy indicators as at the dates indicated.

Total Gross Foreign Reserve Assets

	As at 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
			(*€ millions*)		
Reserve Assets (gross)	**3,938**	**4,972**	**4,952**	**5,847**	**6,264**
Monetary gold	136	142	166	202.6	272.4
SDR	198	310	243	225.7	228.3
Reserve position in the Fund	31	32	32	32	33
Other reserve assets	3,574	4,489	4,510	5,387	5,731
In months of import	9.5	8.8	6.9	7.3	7.1[(1)]
% of short-term debt	*350*	*460*	*412*	*536*	*525[(1)]*
NIR (*€ millions*)	**2,754**	**2,881**	**2,903**	**3,133**	**4,063**

Source: The Bank of Albania

Note:
(1) Figures as at 30 September 2024.

The majority of Albania's foreign reserve assets is invested with highly-rated institutions. The Bank of Albania's foreign reserve assets as at 31 December 2024 were €6,264 million. The level of foreign reserve assets as at 31 December 2024 has increased from €5,847 million as at 31 December 2023, primarily due to increases in monetary gold and SDRs. As at 30 September 2024, the Bank of Albania's foreign reserve assets was estimated to cover 7.1 months of imports and 525% of Albania's short-term external debt.

The overall increase in foreign reserve assets since 2019 is primarily due to inflows of foreign currency from the disbursement of funds from the IMF and the World Bank, increases in other reserve assets, as well as the issuance of Eurobonds by the Government in June 2020, November 2021 and June 2023 and the purchase of foreign exchange through domestic auctions. See "*Public Debt—Multilateral Financial Institutions—International Monetary Fund*" and "*Public Debt—Multilateral Financial Institutions—World Bank".*

Interest Rates

The following table sets forth the average Bank of Albania interest rates in Lek as at the dates indicated.

Average interest rates

	As at 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
			(*% average*)		
Interest rate (*day-to-day money rate, per annum*)	0.59	0.59	2.93	3.44	3.36
Lending interest rate *(one year, per annum)*	5.86	5.93	6.89	6.28	6.42
Deposit interest rate *(one year, per annum)*	0.54	0.48	1.13	1.74	1.88

Source: The Bank of Albania

Interest rates in Albania are determined using free market mechanisms. The Bank of Albania does not apply administered interest rates for specific sectors of the economy. In accordance with its monetary policy framework, the Bank of Albania aims to influence short-term interest rates in the interbank market by managing the Bank of Albania's policy rate (currently 2.75%) and conducting open market operations, with the ultimate aim of anchoring inflationary expectations.

Between 2010 and the beginning of March 2022, financial markets activity increased and interest rates were generally on a declining trend. The Bank of Albania's monetary policy in respect of interest rates, policy communication and stimulus reforms was one of the main drivers of these decreasing interest rates. In 2016, the average interest rate for deposits in Lek dropped below the Bank of Albania's then-policy rate, reflecting the then-low liquidity needs, as well as a slowing demand for credit. Subsequent increases in the Bank of Albania's policy rate in 2022 and 2023, to ease inflationary pressures, were partially transmitted in the deposit market. As at 31 December 2023, the average interest rate on deposits was 3.44%, or 17.4% higher than as at 31 December 2022.

Between 2010 and 2022, Lek lending rates declined, reflecting structural changes in the banking system, as well as monetary policy easing. This decline resulted in the growth of lending in Lek, which has, in turn, contributed to an increase in the share of the Lek portfolio as a percentage of overall lending to the private sector. The average lending interest rate for Lek-denominated deposits fell to a low of 5.8% in 2020 and 2021, after fluctuating around 6.5% in 2018 and 2019. During 2022, the average lending interest rate for Lek-denominated securities began to increase again to 6.6%, following successive repo rate increases.

Interbank market rates and government securities yields also decreased to historically-low levels between 2010 and the beginning of 2022, in line with policy rate decreases during this period. There was increased volatility in yields in 2023, reflecting increased uncertainty related to inflation and monetary policy reactions.

The Bank of Albania has pursued an accommodative monetary policy in recent years. In March 2022, the Bank of Albania increased the policy rate from 0.5% to 1%, thus marking the beginning of monetary policy normalisation in response to rising inflation. The policy rate was further increased in July 2022 to 1.25%, in August 2022 to 1.75%, in October 2022 to 2.25%, in November 2022 to 2.75% and in March 2023 to 3.00%. The standing facilities rates were also raised in parallel, with the overnight deposit rate and overnight lending rate currently standing at 2.00% and 4.00%, respectively. Prior to 2022, the policy rate had decreased by 50 basis points to 0.50% in March 2020 and the interest rate for overnight lending facilities decreased from 1.9% to 0.9%, as a response to COVID-19. In 2022, the policy rate was raised a total of five times, by a total of 225 basis points over the course of the year. In 2023, the policy rate was increased twice, by 25 basis points on each occasion (to 3.25% as of March 2023). In each of July and November 2024, the Bank of Albania lowered its interest rate by 25 basis points to 2.75%, reflecting a reduction in inflation and positive trends in economic, monetary and financial stability during the first three quarters of 2024.

Exchange Rate Policy and Operations

The Bank of Albania implements a free-floating exchange rate regime, whereby the value of the Lek against foreign currencies is freely determined in the foreign exchange market in accordance with levels of supply and demand. The Bank of Albania intervenes in the foreign exchange market in accordance with the relevant internal regulations. Such regulations were last reviewed in December 2020 with the aim of increasing the transparency and efficiency of interventions. The Bank of Albania may intervene in the domestic exchange rate market to achieve one or more of three objectives: (i) to adjust the level of international reserves; (ii) to stabilise disorderly markets; or (iii) to achieve monetary policy or financial stability objectives in case intervention is deemed necessary.

In line with the Bank of Albania's framework for assessing the reserve adequacy, interventions to increase reserve levels have been pre-announced since 2014. During the period from 2015 to date in 2021, the Bank of Albania generally intervened in the foreign exchange market to encourage an increase in foreign reserves. In addition, in 2018, the Bank of Albania intervened temporarily to correct the misalignment of currency, which was impacting the inflation outlook. On average, intervention volumes for increasing reserves accounted for 1.5% of annual foreign exchange transactions conducted through the Albanian banking system during the period.

The Lek to Euro exchange rate has shown a continuous appreciating trend since mid-2015, reflecting structural improvements in the Albanian economy, as demonstrated by the narrowing of the current account deficit, increased FDI and increased confidence in the domestic currency, with such trend accelerating in 2022 and 2023.

At the end of March 2020, the Bank of Albania intervened by selling €20.4 million to smooth temporary excessive volatility caused by initial disruptions to the introduction of lockdown measures as a result of the outbreak of the COVID-19 pandemic.

On 8 March 2022, the Bank of Albania intervened by selling €10.7 million to smooth temporary excessive volatility caused by disruptions in the market arising as a result of the war in Ukraine.

See "*Exchange Rates*".

The Albanian Banking Sector

The following table sets forth information on the Albanian banking sector as at the dates indicated.

Banking Sector[1]

	As at 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
Number of banks (majority foreign-owned)	12(8)	11(7)	11/(6)	11/(6)	11/(6)
Asset share of fully foreign-owned banks *(%)*	73.5	72.3	64.4	64.4	62.9
Non-performing loans (as a % of total loans)	5.6	5.0	4.7	4.7	4.2
Domestic credit to private sector (as a % of GDP)	22.61	20.45	18.97	18.97	19.56
Domestic credit to households (as a % of GDP)	11.97	11.63	11.52	11.52	12.38
of which mortgage lending (as a % of GDP)	*7.60*	*7.50*	*9.59*	*9.59*	*10.14*
Capital adequacy ratio	18.5	18.1	19.4	19.4	19.82
Liquidity ratio	33.9	29.6	30.84	30.84	28.63
Loan to deposit ratio	46.8	47.1	46.07	46.07	49.55

Source: The Bank of Albania

Note:
(1) Certain figures in this table have been revised and may differ from previously published data.

As at 30 June 2024, total assets of the banking sector constituted 90.2% of Albania's total financial assets and represented 85.0% of nominal GDP.

As at 31 December 2024, the Albanian banking sector was comprised of 11 banks, of which five are majority domestically-owned. In 2018, the Kosovo Branch of the National Commercial Bank changed its status from branch to subsidiary, which, with effect from January 2019, resulted in a delay in the financial reports submitted by the National Commercial Bank in order to exclude the activity of the Kosovo subsidiary. In February 2019, the Supervisory Council of the Bank of Albania gave its preliminary approval to Balfin Group in respect of the acquisition of 88.89% of Tirana Bank. In March 2019, OTP Bank Nyrt Hungary received preliminary approval for the acquisition of 88.89% of Societe Generale Albania, and the Supervisory Council of the Bank of Albania approved the merger through absorption of International Commercial Bank by Union Bank, a domestically-owned bank. In June 2019, the Bank of Albania revoked the licence of the Credit Bank of Albania as the bank has been placed under voluntary liquidation. In July 2022, the Bank of Albania gave preliminary approval for the increase in participation of EUROSIG in the capital of the United Bank of Albania, a domestically-owned bank, from 21.0% to 51.0%. In November 2022, the Supervisory Council of the Bank of Albania gave its preliminary approval for the merger by absorption of Alpha Bank Albania by OTP Bank Albania.

As at 31 December 2024, 62.9% of assets in the banking sector were held by majority foreign-owned banks. The decline in the share of assets of majority foreign-owned banks to total banking sector assets from 69.4% in 2020, 68.8% in 2021, 68.9% in 2022 and 64.4% in 2023 was primarily the result of: (i) the change in ownership from foreign to domestic of two previously foreign-owned banks, National Bank of Greece (which was absorbed by the American Bank of Investment) and International Commercial Bank (which was absorbed by Union Bank); (ii) the acquisition of a foreign-owned bank (Tirana Bank) by an Albanian non-financial corporation (Balfin Group) (iii) the liquidation of a foreign owned bank (Credit Bank of Albania); and (iv) the increase in participation of Eurosig Sh.a in the capital of the United Bank of Albania.

The recent mergers and restructuring of the activity that affected at least half the banks operating in Albania has resulted in a drop in the value of concentration indices for liabilities by non-residents. During the period from 2020 to 2024, the majority of banking activities were characterised by stable values of concentration indices in respect of loans, deposits, foreign currency assets and liabilities. The most significant expansion in concentration levels was observed in the distribution of government securities held by banks and non-residents assets. See "*Risk Factors—Risks relating to the Republic—Domestic Banking Sector Structural Risks*".

NPLs accounted for 4.2% of the banking sector loan portfolio as at 31 December 2024, as compared to 4.7% as at 31 December 2023, 4.7% as at 31 December 2022, 5.0% as at 31 December 2021 and 5.6% as at 31 December 2020. The reduction of NPLs has been, and continues to be, a key focus of the Bank of Albania's supervision activities. See "*—Non-Performing Loans"*.

The following table sets forth details of bank ownership in Albania, by country, as at 30 November 2024.

Bank Ownership in Albania

Bank	Country of Ownership	Assets	Deposits	Loans
		(%)	*(%)*	*(%)*
National Commercial Bank	Türkiye	24.67	25.32	12.26
Raiffeisen Bank	Austria	14.57	14.67	16.00
Intesa San Paolo Bank	Italy	9.88	10.35	6.97
Credins Bank	Albania	16.34	17.49	19.45
Tirana Bank	Albania	7.45	6.88	8.66
OTP Bank Albania (ex Societe General Albania)	Hungary	8.84	8.76	13.65
Procredit Bank	Germany	2.32	2.08	3.99
Union Bank	Albania	5.11	4.62	5.78
American Bank of Investment (ex Credit Agricole)	Albania	6.91	6.14	7.49
First Investment Bank	Bulgaria	2.85	2.77	3.87
United Bank of Albania	Albania	1.05	0.91	1.88
Total		**100.0**	**100.0**	**100.0**

Source: The Bank of Albania

The following table sets forth the aggregate financial position of banks in Albania as at the dates indicated.

Aggregate Financial Position of Banks

	As at 31 December					As at 30 September
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Total Assets	**1,475,550.9**	**1,581,466.1**	**1,773,792.6**	**1,877,307.7**	**1,963,750.2**	**2,051,186.2**
Treasury and interbank transactions	470,059.3	468,874.5	492,980.2	520,031.0	510,173.7	488,312.5
Operations with customers (gross)	573,354.6	606,434.9	668,609.6	711,928.6	735,875.2	807,680.8
Securities transactions	404,408.7	479,581.1	581,648.1	617,591.9	682,763.4	720,858.9
Provisions	(28,751.3)	(32,413.8)	(27,144.6)	(32,815.0)	(30,630.04)	(31,039.9)
Other assets	25,712.7	24,667.4	23,190.4	22,714.4	22,290.88	23,748.6
Fixed assets	23,562.1	26,009.7	25,082.4	27,050.6	29,427.25	29,185.7
Accrued interests	7,204.8	8,312.2	9,426.5	10,806.2	13,850.82	12,439.6
Total assets denominated in foreign currency	*773,921.6*	*811,163.1*	*922,821.4*	*988,602.4*	*1,001,487.6*	*1,036,613.7*
Total assets of non-residents	*351,271.9*	*333,371.9*	*390,667.5*	*395,935.6*	*422,678.5*	*459,511.8*
Total Liabilities and Capital	**1,475,550.9**	**1,581,466.1**	**1,773,792.6**	**1,877,307.7**	**1,963,750.2**	**2,051,186.2**
Treasury and interbank transactions	88,013.4	86,880.0	112,730.9	114,306.3	100,035.2	129,259.4
Operations with customers (gross)	1,189,632.8	1,282,672.0	1,429,636.9	1,514,236.2	1,598,712.9	1,642,408.4
Securities transactions	2,526.8	3,556.8	3,106.3	3,113.8	7,302.1	6,976.5
Other liabilities	13,136.1	17,859.0	24,534.1	29,686.8	23,321.6	23,252.7
Permanent resources	178,368.7	186,476.7	199,831.9	211,401.4	227,380.1	240,702.1
Accrued interests	3,873.2	4,021.6	3,952.5	4,563.4	6,998.3	8,587.1
Total liabilities denominated in foreign currency	*751,052.4*	*789,678.5*	*897,038.8*	*966,419.4*	*982,138.6*	*1,020,759.1*
Total liabilities of non-residents	*37,574.2*	*35,121.2*	*51,369.3*	*47,017.4*	*43,942.2*	*48,592.8*

As at 30 September 2024, banking sector total assets and banking sector total liabilities and capital were ALL 2,051.2 billion, as compared to ALL 1,963.8 billion as at 31 December 2023. As at 30 September 2024, total liabilities denominated in foreign currency were ALL 1,020.8 billion (as compared to ALL 982.0 million as at 31 December 2023) and total liabilities of non-residents were ALL 48.6 million (as compared to ALL 44.0 million).

The following table sets forth the composition of deposits with all domestically operating banks as at the dates indicated.

Banking Sector Deposit Portfolio

	As at 31 December					As at 30 September 2024
	2019	2020	2021	2022	2023	
Local currency deposits	**466,382.0**	**517,778.3**	**552,222.8**	**551,657.0**	**579,058.4**	**591,723.7**
Current account and sight deposits	232,559.3	292,757.5	335,152.9	348,187.0	378,957.7	387,476.8
Local government deposits	*1,624.5*	*1,644.1*	*1,301.5*	*1,694.3*	*2,000.1*	*4,420.2*
Public non-financial corporations deposits	*10,786.4*	*13,912.5*	*18,879.3*	*18,667.0*	*22,897.3*	*20,459.8*
Other financial corporations deposits	*3,780.6*	*3,797.6*	*4,821.1*	*7,082.0*	*5,178.5*	*3,800.3*
Other non-financial corporations deposits	*51,972.3*	*70,043.5*	*81,311.4*	*80,159.5*	*95,349.7*	*92,379.8*
Other resident sectors deposits	*164,395.5*	*203,359.8*	*228,839.6*	*240,584.3*	*253,532.1*	*266,416.8*
Time deposits	233,822.8	225,020.9	217,069.9	203,470.0	200,100.7	204,246.9
Local government deposits	*10.1*	*10.1*	*0.0*	*0.0*	*0.3*	1,004.1
Public non-financial corporations deposits	*709.2*	*1,465.4*	*757.3*	*598.2*	*2,655.7*	*3,377.1*
Other financial corporations deposits	*4,167.7*	*4,868.2*	*5,136.3*	*5,113.7*	*5,385.5*	*4,758.2*
Other non-financial corporations deposits	*7,977.5*	*6,836.3*	*7,597.8*	*6,378.8*	*9,553.3*	*9,623.5*
Other resident sectors deposits	*220,979.3*	*211,840.9*	*203,578.5*	*191,379.3*	*182,506.0*	*185,484.1*
Foreign currency deposits	**560,583.5**	**594,654.7**	**663,836.3**	**719,984.5**	**725,618.4**	**741,483.3**
Current account and sight deposits	324,658.7	369,776.5	444,963.8	493,783.0	494,920.7	504,243.7
Local government deposits	*157.9*	*82.3*	*38.9*	*75.7*	*155.2*	*144.3*
Public non-financial corporations deposits	*2,823.3*	*2,343.5*	*2,558.9*	*4,001.7*	*4,134.8*	*4,613.9*
Other financial corporations deposits	*5,360.3*	*6,743.5*	*6,153.0*	*6,598.9*	*5,425.4*	*4,865.9*
Other non-financial corporations deposits	*81,786.9*	*96,126.3*	*120,282.6*	*141,613.2*	*154,566.8*	*164,371.9*
Other resident sectors deposits	*234,530.3*	*264,480.9*	*315,930.5*	*341,493.6*	*330,638.6*	*330,247.5*
Time deposits	235,924.8	*224,878.1*	*218,872.5*	*226,201.5*	*230,697.8*	*237,239.7*
Local government deposits	—	—	24.3	963.7	219.2	2,589.6
Public non-financial corporations deposits	*1,521.8*	*1,731.9*	*1,519.3*	*2,606.9*	*2,923.4*	*2,510.1*
Other financial corporations deposits	*7,057.6*	*6,938.6*	*8,935.6*	*7,561.1*	*8,174.0*	*8,814.4*
Other non-financial corporations deposits	*11,661.7*	*10,854.2*	*12,622.5*	*23,903.3*	*22,444.2*	*21,584.4*
Other resident sectors deposits	*215,683.8*	*205,353.4*	*195,770.9*	*191,146.5*	*196,936.9*	*201,741.1*

Source: The Bank of Albania

As at 30 November 2024, 57% of the total banking sector loan portfolio was denominated in Lek, 42% of the total banking sector loan portfolio was denominated in Euros and the remainder was primarily denominated in U.S. Dollars. Although the ratio of foreign currency loans to total loans has decreased since a peak of 72% in 2007, unhedged loans accounted for 23% of total foreign currency loans and 10% of the total loans portfolio as at end-November 2024.

As at 30 November 2024, ALL 776,808 million of banking sector deposits (or 94% of the total banking sector loan portfolio) were denominated in Lek, while ALL 879,878 million of deposits (or 107% of the total banking sector loan portfolio) were denominated in foreign currencies.

In April 2017, the Bank of Albania, the Ministry of Finance and the Financial Supervisory Authority entered into a memorandum of understanding to co-operate to increase the use of domestic currency in the financial system and Albanian economy, a de-Euroisation strategy. The Bank of Albania publishes a semi-annual report on developments and progress relating to this strategy. The most recent report, published in August 2024, noted that in the first half of 2024, the Lek continued to appreciate against major currencies, but at lower rates than in previous periods, as a result of a combination of economic, political and seasonal factors. However, even when corrected for this exchange rate performance, the performance of the indicators monitored to assess the effects of the de-Euroisation measures was generally in line with intended objectives.

The banking sector's overall profit has been maintained at consistent levels in recent years. The net profit of the banking sector as at 30 November 2024 was approximately ALL 33.6 billion, reflecting an approximately 17% increase as compared to end-November 2023. The stock of total banking sector loans, including loans to non-residents, as at 30 November 2024, was approximately ALL 823.2 billion.

The Albanian banking sector remains well-capitalised and liquid. The capital adequacy ratio was 20.23% as at 30 September 2024 and 19.9% as at 31 December 2023, as compared to the required minimum level of 12.0%. Liquid assets as a percentage of total assets were 28.9% as at 30 November 2024. The capital adequacy of the banking sector is sufficient to cover for a "worse case" scenario that combines slower economic growth, a higher level of depreciation of the Lek and a higher level of NPLs in the banking sector.

Non-Performing Loans

Since a peak in NPLs of close to 24% of the banking sector loan portfolio in September 2014, NPL levels have been on a declining trend, reaching 5.0% as at 31 December 2022, 4.7% as at 31 December 2023 and 4.2% as at 31 December 2024.

The Interinstitutional Action Plan, which sets out specific tasks for the Bank of Albania, banking industry and the Government aimed at addressing NPLs, was adopted in 2015. Reform measures taken by the Bank of Albania in line with this action plan include: (i) the introduction of regulatory measures requiring mandatory write-offs of NPLs classified in the "loss" category for more than three years from January 2015; and (ii) reforms to speed up collateral execution. Banks operating in Albania are also required to apply more conservative provisioning requirements in respect of NPLs than that required under International Financial Reporting Standards, which results in higher NPL coverage ratios. In 2019 an amendment to the regulation on the administration of credit risk by banks was passed, requiring mandatory write offs of NPLs classified in the "loss" category for more than two years, whose requirement was previously provisioned for three years.

The Bank of Albania passed a regulation in respect of out-of-court settlements of loans held by borrowers in financial difficulty exposed to more than one bank on July 2019. This regulation, which is generally recognised as the "Tirana Approach" was initially expected be in effect until 31 December 2020 but was extended until 1 January 2022 due to the COVID-19 pandemic. On September 2019, loans meeting the Tirana Approach criteria represented approximately 3.4% of the total NPL portfolio. As at 1 January 2022, loans meeting the Tirana Approach criteria represented approximately 1.7% of the total NPL portfolio, representing a reduction in NPLs of approximately ALL 32.6 billion. Following the abolishment of the regulation, a more strict criteria in terms of classification and provisioning, as well as the extension of probation period from nine to twelve months has been introduced in respect of restructured loans.

In line with the Interinstitutional Action Plan, the Assembly approved a new insolvency law aimed at facilitating the restructuring of private balance sheets, which entered into force on 22 May 2016, and made amendments to the Civil Procedure Code and the Law on Securing Charges to improve the process of loan collection, which entered into force on 5 May 2017. Such reform measures provide, among other things, for priority to secured creditors in insolvency proceedings, as well as the payment of success fees to bailiffs.

As part of the implementation of a joint project between the Ministry of Justice and the International Finance Corporation ("**IFC**") on debt resolution and business exits, a special regulation on "Out of court of accelerated reorganisation agreements" has been developed for restructuring procedures, which is based on a debtor's ability to simultaneously initiate bankruptcy proceedings and submit a restructuring plan, and aims to shorten the legal time frames for restructuring procedures. This regulation was approved by the Council of Ministers in February 2021.

As a result of these reforms and the combined efforts of the supervisory authority and banking sector to reduce the stock of NPLs and manage the flow of new NPLs into the market, NPLs and the NPL ratio have declined steadily, and the quality of the banking sector loan portfolio has improved. As at 31 December 2024, NPLs accounted for 4.2% of the banking sector loan portfolio, as compared to 4.7% as at 31 December 2023, 4.7% as at 31 December 2022, 5.0% as at 31 December 2021 and 5.6% as at 31 December 2020. The reduction in NPLs from ALL 35 billion, as at 31 December 2023, to ALL 37 billion, as at 30 November 2024, is primarily due to an increase in available credit.

Provisions for credit risk, which covered 59.4% of NPLs and 5.0% of total loans as at 31 December 2019, increased to 65.2% of NPLs and 5.3% of total loans as at 31 December 2020 and 68.4% of NPLs and 3.9% of total loans as at 31 December 2021, before decreasing to 64.4% of NPLs and 3.2% of total loans as at 31 December 2022, 70.5% of NPLs and 3.3% of total loans as at 31 December 2023 and 72.1% of NPLs and 3.2% of total loans as at 31 December 2024.

The reduction in the stock of NPLs in 2024, as compared to 2023, is primarily due to the repayment of a portion of NPLs and write-off of bad loans. Quality improvement has been observed in real estate, medium-term and foreign currency loan categories, but a slight decline in quality was recorded in other long-term and Lek-denominated loans.

Bank Resolution and Resolution Fund

In July 2017, Law № 133/2016 "On the recovery and resolution of Banks in the Republic of Albania" ("**Law № 133/2016**") entered into force, which identified the Bank of Albania as the resolution authority in respect of failing banks and bank insolvencies.

In its capacity as resolution authority, the Bank of Albania is responsible for: (i) compiling the rules for the resolution of banks using the different tools set out in Law № 133/2016; (ii) preparing resolution plans; and (iii) establishing a resolution fund. In March 2017, the Bank of Albania established the Resolution Department as the responsible unit to accomplish the Bank of Albania's mandate with respect to resolution activities.

In October 2017, the Bank of Albania adopted regulations establishing the resolution fund and setting out the procedures regarding the contributions to, and management of the fund. The target funding level for the resolution fund is 0.5% of total liabilities of the banking sector (currently ALL 8 billion), calculated as the difference between the assets and capital of all banks licensed in Albania, to be reached by 2027. Banks in Albania pay annual contributions to the fund in line with the law and methodology of calculation established by the Bank of Albania.

In January 2018, the first contributions to the resolution fund were paid, in proportion to the share of each bank in the liabilities of the banking sector. In April 2019, the banks paid in the second year contributions. The total contributions to the resolution fund for 2024 was set at ALL 982 million (as compared to ALL 896 million in 2023), which was fully repaid in April 2024. The target level of the fund and each bank's contribution is reviewed and updated on an annual basis. In accordance with Law № 133/2016, the resolution fund is managed by the Deposit Insurance Agency, in accordance with its investment policy, which is approved by the Bank of Albania. The investment policy follows the principles of liquid assets, low credit risk debt securities and then reasonable, high return on investments. As at 31 December 2023, the resolution fund totaled ALL 4.6 billion (as compared to ALL 3.5 billion as at 31 December 2022), invested in current accounts and one-week deposits in Bank of Albania and Government treasury bills and bonds.

The resolution fund may also benefit from extraordinary contributions of banks, loans, subsidies and donations. The resolution fund may be used to guarantee the assets or the liabilities of banks under resolution, provide bridge financing to banks and asset management companies, provide liquidity to banks under resolution, purchase assets of banks under resolution, contribute to capital and ensure other necessary funds to provide bridge financing to banks or asset management companies, compensate banks under resolution for uncovered losses arising due to the exclusion of eligible liabilities of certain creditors arising from the application of the bail-in tool, and cover the costs for administration of the resolution fund.

In April 2018, the Supervisory Board of the Bank of Albania approved the Regulation "On Resolution Plans" (the "**RRP**"). The RRP is aligned to the Regulatory Technical Standards of the European Banking Authority (the "**EBA**") and the Bank Recovery and Resolution Directive and applies to all banks and branches licenced to operate in Albania. The RRP sets out: (i) the content of resolution plans; (ii) procedures on drafting resolution plans; and (iii) best practices for resolution.

To facilitate data collection from individual banks, the Bank of Albania has developed standardised data collection templates aligned with EBA technical standards. The regulations in place and the data collected allows the Bank of Albania to assess and organise meetings with banks in order to prepare efficient resolution plans. In 2019, the Bank of Albania drafted the first version of resolution plans for systemic banks, and a second draft was prepared in 2020. By the end of 2021, the Bank of Albania had finalised all the resolution plans for banks operating in Albania. An executive summary for the plans was formally communicated to each bank, together with the official communication of the binding minimum requirement for own funds and eligible liabilities ("**MREL**") target. Since 2021, each bank with a preferred resolution strategy, must meet an MREL to ensure an effective and credible application of the resolution tool. The phase-in period to meet the final MREL target is six years. During the phase-in period, the Bank of Albania will communicate the intermediate MREL target to be reached with the next twelve months and the final MREL target to be reached by the end of 2027.

Since 2018, the Supervisory Board of the Bank of Albania have passed several regulations to bolster the regulatory framework relating to the resolution of banks, including those relating to co-operation between departments, defining powers and competencies of different units within the Bank of Albania, the conditions for granting the prior approval to the intra-banking group financial support agreement, the conditions of implementing early intervention measures and conditions and the methodology of applying temporary administration valuations for resolution, bridge banks, bail-in instruments, regulatory capital instruments and eligible liabilities, contractual recognition of write-downs and conversions, partial transfers of assets and liabilities and the establishment and operation of an asset management company in bank resolution cases.

A cooperation arrangement between the Bank of Albania and the Single Resolution Board (the "**SRB**") was signed in October 2018. This agreement focuses on the exchange of information between banking entities operating in Albania and the EU, enabling efficient resolution planning for entities with cross-border operations. Since 2019, the Bank of Albania has participated in the SRB's resolution meetings involving banking entities with subsidiaries operating in Albania.

Credit Information Systems

In November 2024, the AAB and the IFC entered into a co-operation agreement to encourage the growth and development of digital financial services and the fintech ecosystem in Albania. The agreement also targets improved efficiency of Albania's credit information systems to improve access to finance for individuals and businesses.

Banking Supervision and Regulation

Banking supervision in Albania is carried out by the Bank of Albania pursuant to the Bank of Albania Law. As the supervisory authority, the Bank of Albania aims to safeguard the soundness and stability of the banking and financial system and to protect depositors. The three main functions of supervision consist of: (i) licensing financial entities; (ii) regulating their activities; and (iii) maintaining control of and monitoring their activities. In addition, the Bank of Albania acts as banker and adviser to, and fiscal agent of, the Government, in addition to promoting the normal functioning of payment systems.

In November 2022, the Supervisory Council approved the Medium-Term Development Strategy of the Bank of Albania 2023-2025. Among other objectives, the strategy sets out the main objectives of the Bank of Albania in the fields of supervision of banks and financial entities, including: (i) adopting Basel III standards and related EU implementing acts; (ii) updating the regulatory framework on liquidity and capital adequacy related to credit risk, market risk, and operational risk and the interest rate risk in the banking book; (iii) reviewing the applicable requirements of internal assessment processes for capital and liquidity adequacy for banks; (iv) updating the regulatory framework for the supervision of operational risk and the risk of information and communication technology and cyber-attacks; (v) increasing cooperation with banks against cyber-attacks and active contribution to the structures of the banking industry for the exchange of information and response coordination; (vi) implementing the necessary methodological and operational instruments for better calibration of differentiated capital requirements, according to the bank's risk profile. The Bank of Albania also intends to strengthen co-operation with national and international regulatory authorities in the area of supervision.

Bank of Albania's supervision of the banking sector mainly focuses on monitoring of banks' resilience to risks in order to maintain adequate capital and liquidity positions and, in turn, thereby ensuring the stability of the banking system. The overall supervisory process and on-site examinations have emphasised the importance of enhanced governance and risk administration, with a focus on the fastest-growing segments of the banking system and recent ownership changes.

All mergers, acquisitions or transfers of ownership must be approved by the Bank of Albania's Supervisory Council and are subject to the same legal requirements and evaluation standards as those applicable to when establishing a new bank. Over the past five years, there has been significant merger and acquisition activity within the Albanian banking system (see "*—The Albanian Banking Sector*"). As a result of such activity, the number of banks operating in Albania decreased from 16 to 11 as at 31 December 2022.

The Bank of Albania has expressed interest for its regulatory framework to be subject to an equivalence assessment by the European Banking Authority. For this purpose, with the assistance of EBRD and PwC, the Bank of Albania has performed self-assessment exercises under the published European Banking Authority methodology. The results have been submitted to European Banking Authority, together with a formal request from the Governor of the Bank of Albania to start the equivalence assessment. An initial meeting was held in June 2024 with representatives of the European Banking Authority, and their feedback is expected in early 2025. The Bank of Albania is of the view that the preliminary results of the self-assessment exercises indicate a high level of alignment.

A number of regulations were amended or adopted in 2020-2024, with the aim of further approximating the regulatory framework in Albania to the requirements of the Basel Committee and the EU acquis. In particular:

- In 2020, a new regulation was approved, which further approximates the Bank of Albania's legal framework with Basel III requirements on the leverage ratio and with relevant EU regulations.

- The capital adequacy regulation was amended in 2020, 2021 and 2022 to further align it with the requirements of relevant EU regulations regarding capital requirements for credit risk and counterparty credit risk for market risk and securitisation positions. The common reporting ("**COREP**") requirements that were part of this regulation, were amended in August 2023, to reflect previous amendments related to credit and market risk requirements and securitisation positions.

- Amendments to the risk management regulation were approved in 2020, aiming to further align the regulation with EU requirements and with Basel standards relating to the large exposures regime. The amendments also include the revision of reporting and monitoring requirements for banks.

- In 2021, amendments to the consumer credit and mortgage credit regulation were approved, which aim to increase harmonisation with the requirements of EU Directive 2008/48/EU, regulating consumer credit and mortgage credit agreements for individuals, in order to increase consumer protection requirements.

- In 2021, amendments to the transparency for banking and financial products and services regulation were approved, in the framework of the implementation of global reference rate reform.

- In April 2022, the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators regulation was amended, which together with new guidelines on the internal and effective governance of banks ensure compliance with the requirements in the European Banking Authority and Financial Stability Board guidelines, regarding the internal governance of credit institutions.

- In June 2024, the regulation regarding the licensing of non-bank financial institutions was amended to strengthen the regulatory framework of such entities, including following the revocation of a licence or in situations of liquidation. Certain other measures were approved in August 2024, which provide for the change of the legal form of non-bank financial institutions, from a limited liability company to a joint-stock company, designed to encourage improvement of governance and organisation frameworks, as well as to impose certain additional capital increase requirements and changes in capital structure.

- In October 2024, the Bank of Albania amended the regulation regarding the risk management activities of non-bank financial institutions, adding more detailed requirements for financial analysis and assessment of borrowers' solvency and ongoing monitoring of the loan portfolio by non-bank financial institutions and microcredit financial institutions. The amendments also include restrictions on certain consumer credit contracts.

- In November 2024, the Bank of Albania approved a new regulation regarding risk management by banks, payment institutions and electronic money institutions to align them with the revised Basel principles for the sound management of operational risk. The Bank of Albania is working on a draft regulation in relation to the management of information and communication technology and cyber risk by the entities licensed by Bank of Albania, aiming to align it with EU regulation, with the assistance of the U.S. Treasury Department.

A working group established within the Bank of Albania to draft the new regulatory framework for payment services, has drafted several bylaws in compliance with relevant EU *acquis*, which have been approved by the Supervisory Council of the Bank of Albania. Such bylaws cover topics including the licensing of payment institutions and electronic money institutions, establishing a public register of payment service providers, monetary amounts of professional indemnity insurance required, customer authentication and secure standards of communication, the activity and supervision of electronic money institutions, the activities and supervision of payment institutions, establishing a new reporting system for payment instructions and electronic money institutions and, most recently in February 2024, guidance on major incident reporting.

In preparing the required documentation for the application of Albania to join the Single Euro Payments Area ("**SEPA**") payment schemes, in August 2024, Bank of Albania approved the regulation "On information accompanying transfers of funds", which has adopted the requirements of Regulation (EU) 2023/1113 relating to transfers of funds requirements.

Since 21 November 2024, Albania has been part of the geographical scope of SEPA payment schemes and a member of the first group of Western Balkan countries to join the SEPA geographical scope, achieving an important milestone on its path to EU membership.

Macro-prudential Policy

On 2 August 2017, the Supervisory Council approved the Bank of Albania's macro-prudential policy strategy. Under this strategy, the Bank of Albania has assumed the role of primary authority in implementing macro-prudential policy in Albania. The macro-prudential policy aims to stabilise the entire financial system by preventing and mitigating systemic risks and strengthening its resistance. The strategy, which was prepared in line with European Systemic Risk Board recommendations and EU Directives provides a general operational framework to: (i) link the final objective of the macro-prudential policy with intermediate objectives and macro-prudential instruments; (ii) establish a core framework for the implementation of macro-prudential instruments, including indicators measuring systemic risk, in order to guide decisions related to the implementation, deactivation or calibration of macro-prudential instruments; and (iii) explain decision-making and inter-institutional and public communication processes at the Bank of Albania in relation to the macro-prudential policy.

In October 2023, the Bank of Albania approved Regulation "On data reporting, identification and monitoring of lending indicators and real estate investments", aimed at: (i) standardising and expanding data collected by lending entities (primarily, banks) in relation to the indicators of the standards they use for exposure (in the form of lending and

investment) to real estate (residential and commercial); and (ii) declaring the Bank of Albania's right to use some of these indicators as instruments of macro-prudential policy, in order to limit the risk for lenders and borrowers from exposures in the real estate market. The approval and implementation of this regulation represents an important step towards aligning Albania's macro-prudential framework with the legislation and practices followed by EU countries.

Macro-prudential Capital Buffers

Following the introduction of Regulation "On Macro-prudential Capital Buffers", banks began to meet their combined macro-prudential buffer requirements ("**CBR**") in addition to Pillar 1 and Pillar 2 requirements. The capital conservation buffer, countercyclical capital buffer and the macro-prudential buffer for "systemically important" banks were the first instruments to be introduced under the regulation and banks began to meet their countercyclical capital buffer and the macro-prudential buffer for systemically important banks requirements from 2020. The countercyclical capital buffer rate was set at zero until the second quarter of 2024, when it increased for the first time to 0.25%. Banks are required to achieve this level by the second quarter of 2025. The capital conservation buffer rate is equal to 2.5% for 2024 onwards. There are four banks identified as systemically important and their respective capital buffers for systemic importance in 2024 were: National Commercial Bank: 1.5%; Credins Bank: 1.0%; Raiffeisen Bank: 1.0% and OTP Albania Bank: 0.5%.

Deposit Insurance

In 2002, the Financial Services Volunteer Corps ("**FSVC**") played a pivotal role in implementing the law on Deposit Insurance by providing highly-skilled volunteer experts to launch the Albanian Deposit Insurance Agency ("**ADIA**"). ADIA reports to the Assembly, the Council of Ministers and the Bank of Albania. ADIA is a member of the International Association of Deposit Insurers and European Forum of Deposit Insurers. ADIA is authorised to insure and compensate deposits of individuals, entrepreneurs and companies in all banks and savings and credit associations ("**SCAs**") operating in Albania. Membership in the deposit insurance scheme is obligatory for all deposit collecting institutions licensed by the Bank of Albania.

ADIA's mandate is to collect annual deposit insurance premiums, manage insurance funds and reimburse insured deposits. The quarterly insurance premium for banking institutions is calculated as 0.125% of the arithmetic average balance of the insured deposits registered in the bank on the last day of each month in the previous quarter and, for SCAs, the quarterly insurance premium is 0.075%, calculated on the same basis.

Albania's deposit insurance system provides coverage for deposits of individuals, entrepreneurs and companies, up to ALL 2.5 million for bank depositors covering 54.7% of total banking system deposits and 92.9% of bank's depositors as at 30 September 2024. The deposit insurance system also provides coverage of ALL 2.0 million for depositors in SCAs, covering 70.0% of total SCA deposits and 90.0% of SCA depositors as at 30 September 2024.

In 2020, with the technical assistance of the World Bank, AIDA prepared a study on the key financial indicators of the deposit insurance scheme, the conclusions of which were intended to provide a basis for future improvements to the scheme.

In June 2021, a second deposit insurance agency agreement was entered into pursuant to which the EBRD provided a stand-by credit line to ADIA in the amount of up to €100 million, available for two years and fully-guaranteed by the Government.

ADIA manages two funds for the compensation of insured depositors, the Banks Deposit Insurance Fund ("**BDIF**") and the SCAs Deposit Insurance Fund ("**SCADIF**"). ADIA's investment policy follows the principles of liquid assets, low credit risk and reasonable/high return on investments. As at 31 December 2023, the BDIF reached a total of ALL 63.6 billion, while the SCADIF reached a total of ALL 222.8 million. As at 30 September 2024, the BDIF reached a total of ALL 67.78 billion, while the SCADIF reached a total of ALL 247.63 million. BDIF funds are invested in debt securities issued by the Government by EU member state governments, which are rated between AA- and AAA. SCADIF funds are invested only in debt securities issued by the Government.

In the event of an insufficiency of funds ADIA may collect *ad hoc* contributions. For liquidity purposes ADIA and the Bank of Albania have signed a bilateral repurchase agreement, which is may be relied upon in the case of an insurance event. Moreover, a trilateral agreement with the Bank of Albania and Ministry of Finance is in force to assist ADIA with funding mechanisms necessary to reimburse insured depositors in such circumstances.

Anti-Money Laundering, Terrorism Financing, Organised Crime and Anti-Corruption Regulations

Albania's legal regime for the prevention of money laundering and terrorism financing comprises two main pieces of legislation. In 2008, Law № 9917 of 19 May 2008 "On the prevention of money laundering and fight against terrorism

financing" (the "**AML/CFT law**") established a framework for the prevention of money laundering and the financing of terrorism. In 2013, Law № 157/2013 "On the measures against terrorism financing", which was enacted in line with the relevant resolutions of the UN Security Council and other international agreements to which Albania is a party, set forth measures allowing the freezing and seizing of funds and properties of activities and individuals who support the financing of terrorism. Albania's anti-money laundering and terrorist financing legislation has been amended on a number of occasions, most recently in 2021 and 2023, in order to improve the effectiveness of prevention systems and to comply with updated international standards and EU anti-money laundering directives.

The Co-ordination Committee for the Fight Against Money Laundering (the "**CCFML**") is responsible for planning state AML/CFT policy. The CCFML is chaired by the Prime Minister and also includes, among others, the Minister of Interior, the Minister of Justice, the General Prosecutor, the Minister of Finance and the Governor of the Bank of Albania. Regulations for the functioning of the CCFML were passed in 2017, which, among other things, task the CCFML with approving national risk assessments ("**NRAs**") and any related action plans. In 2019, the membership of the CCFML was expanded to include the Head of the Special Prosecution Office, the Director of the National Bureau of Investigation, the General Director of the State Police and the Executive Director of the AFSA. A task force, including representatives of Government ministries and the policy has also been established to investigate and fight organised crime.

The General Directorate for the Prevention of Money Laundering (the "**GDPML**"), Albania's financial intelligence unit (and which is also known as the Financial Intelligence Unit), is responsible for the collection, analysis and dissemination of information to law enforcement agencies in relation to potential money laundering and terrorism financing activities. GDPML also acts as a supplementary supervisory authority for monitoring the compliance of reporting entities with their legal obligations under the AML/CFT law. Banks operating in Albania report to both the GDPML and the Bank of Albania for AML/CFT compliance matters.

MONEYVAL is a monitoring body of the Council of Europe tasked with assessing compliance with AML/CFT international standards (including Financial Action Task Force (the "**FATF**") recommendations, UN conventions and Council of Europe conventions) and the effectiveness of their implementation, as well as making recommendations to national authorities in respect of their AML/CFT systems. In December 2020, April 2021, May 2022 and May 2023, MONEYVAL adopted follow-up reports for Albania. In its May 2023 follow-up report, MONEYVAL noted that, overall, in light of the progress made by Albania, its technical compliance was upgraded in two areas of recommendations. Albania remains in MONEYVAL's enhanced follow-up procedure, with the next report to be made on further progress to strengthen its implementation of AML/CFT measures expected during 2025 or 2026.

In February 2020, Albania was placed on FATF's list of "*Jurisdictions under increased monitoring"* (the "**FATF List**") and the Government committed to working with FATF and MONEYVAL to strengthen the effectiveness of its AML/CFT regime. Following FATF's progress review in 2021, FATF noted Albania's steps on improving its AML/CFT regime. In its publication regarding jurisdictions under increased monitoring published in February 2023, FATF noted that, since February 2020, "*Albania has taken steps towards improving its AML/CFT regime, including by demonstrating a meaningful increase in the number of money laundering cases indicted, particularly those stemming from foreign offences where the criminal proceeds were laundered in Albania. The FATF has made the initial determination that Albania has substantially completed its action plan and appreciates Albania's work to address its strategic deficiencies.*" FATF went on to note, however, that it had existing concerns regarding plans to establish a voluntary tax compliance programme, and that, accordingly, it had not yet decided to authorise an on-site visit to the country to verify the implementation of Albania's AML/CFT reforms. In October 2023, Albania was removed from the list of jurisdictions under increased monitoring.

In July 2020, a memorandum of cooperation was signed between the General Prosecutor Office, the Ministry of Interior and the Ministry of Finance to increase the effectiveness of investigations related to money laundering, terrorist financing, financial crimes, seizure and confiscation of criminal assets.

In September 2020, a new law on beneficial ownership registers entered into force, pursuant to which businesses and non-governmental organisations were required to register their beneficial ownership by 30 June 2021 or be liable to sanctions for non-compliance.

To streamline the supervisory process, several of the inspections by the GDPML are carried out in conjunction with the Bank of Albania and Financial Supervisory Authority. These inspections target entities such as banks, non-banking financial institutions, insurance companies, investment funds and pension funds. The GDPML carried out 73 inspections during 2023, of which 44 were off-site inspections and the remaining 29 were on-site. The inspections targeted four banks, 20 chief executive officers, 12 certified accountants, nine real estate companies, seven non-bank financial institutions, six gaming companies, five construction companies, five notaries, three car dealers, one travel agency and one private bailiff.

The recommendations of MONEYVAL are implemented at a national level. In accordance with these recommendations, the Bank of Albania has finalised the preparation of the following regulations:

- the prevention of money laundering and terrorism financing;
- consolidated supervision;
- the supervision of electronic banking transactions;
- the granting of licenses and the exercise of banking activity of foreign banks operating in Albania;
- the licensing and exercising the activity of non-banking financial institutions;
- the licensing and activity of savings and credit associations and their unions; and
- the licensing, organisation, activity and supervision of foreign exchange bureaus.

The following table sets forth data on the number of suspicious activity reports ("**SARs**") submitted to the GDPML for the periods indicated.

Suspicious Activity Reports

	For the year ended 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
SARs	1,409	1,581	1,790	1,790	1,728	1,613

The following table sets forth data on the number of GDPML cases referred to the law enforcement for the periods indicated.

GDPML Cases Referred to Law Enforcement

	For the year ended 31 December					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Cases referred to State Police (only)	241	227	208	201	175	166
Cases referred to Prosecutor	25	41	50	23	45	68
Total	**266**	**268**	**258**	**224**	**220**	**234**

SARs are submitted to GDPML by the reporting entities. In 2023, the number of SARs submitted to the AFIA decreased 1,728 from 1,790 SARs in 2022, reflecting a decrease of 3.5%. A portion of those cases were accompanied by temporary freezing orders (for a period of 72 hours) in order to prevent the alienation of the proceeds suspected to be subject to the laundering process or those suspected to be used in the financing of terrorism.

The following table sets forth data on the number of freezing orders and amounts frozen and seized for the periods indicated.

Freezing Amounts Frozen by the GDPML and Amounts Seized by Magistrates

	Number of Freezing Orders	**Total Amounts Frozen by the GDPML**	**Total Amounts Seized by Magistrates**
		(€)	
2019	16	9,699,690	7,841,091
2020	7	1,172,291	1,172,886
2021	3	250,240	200,000
2022	3	2,426,882	2,426,881
2023	4	1,178,350	1,100,350
2024	10	10,675,755	10,322,309
Total	**43**	**25,403,208**	**23,073,517**

Source: Ministry of Finance

The following table sets forth data regarding the number of persons convicted of money laundering offences for the years indicated.

Convictions for Money Laundering Offences

	Number of defendants convicted for money laundering
2019	9
2020	10
2021	10
2022	19
2023	8
2024[1] …….	10

Source: Ministry of Finance

Note:
(1) 1 January – 30 September 2024.

In recent years, through enacting domestic legislation and partnering with international organisations and the EU, Albania has achieved a number of milestones in combating money laundering and terrorist financing, including, most recently: (i) in June 2019, the adoption of amendments to Law № 9917 of 19 May 2008, aimed at strengthening legislation on the prevention of money laundering and terrorist financing; (ii) in December 2021, the adoption of amendments to Law №. 9917 of 19 May 2008 aimed at full alignment with (EU) Directive № 2015/849 "On the prevention of the use of the financial system for the purpose of money laundering and terrorism financing", as amended; (iii) multiple evaluations and follow-ups by the MONEYVAL Committee, as well as monitoring by the International Co-operation Group (part of FATF); (iv) in February 2021, the opening of the register of beneficial owners (as at 31 October 2022, 38,165 legal persons (of a total 39,270) had registered beneficial ownership data); and (v) in 2021, establishing the national bank account register, which is administered by the General Directorate of Taxes.

In October 2012, the first National Risk Assessment ("**NRA**") of Money Laundering and Financing of Terrorism was completed. In June 2015, the NRA was reviewed. The NRA findings suggested that the Government's adaptation of international standards and best practices has helped to establish a more effective system to deter money laundering and terrorism financing, although some sectors require continued evaluation (including relating to efficiency of investigations and investigations of standalone money laundering). In June 2019, the third NRA of Money Laundering and Financing of Terrorism was completed and approved by the CCFML. In 2020, the GDPML continued to co-ordinate with other institutions to conduct risk analyses identified in the 2019 NRA and the FATF Action Plan in eight sectors. Based on this and the 2019 NRA, an action plan for the risks of NRA and risk analysis with concrete mitigation measures, was approved by the CCFML. The process was co-ordinated by the GDPML and all measures were implemented between 2020 and 2022.

On 27 December 2023, the CCFML approved the fourth NRA for the period 2024-2027. The fourth NRA was prepared based on the methodology of the Council of Europe and was accompanied by an Action Plan, which contains 48 specific measures and deadlines for their implementation. The fourth NRA also established the Technical Inter Institutional Working Group ("**TIWG**"), which includes 31 members, including representatives of public institutions such as the Ministry for Europe and Foreign Affairs, the Ministry of Defence, the Ministry of the Interior, Ministry of Justice, the General Prosecutor's Office, the Special Prosecutor's Office, the National Bureau of Investigation, the State Information Service, and the General Directorate of State Police, the Bank of Albania and the Financial Supervision Authority, as well as private sector representatives. The TIWG was tasked with drafting the National Strategy "For the prevention of money laundering and financing of terrorism 2024-2030" and its action plan, which was adopted by CCFML in July 2024. The action plan consists of six specific objectives and includes 50 measures for implementation. The AFIA is responsible for monitoring the implementation of the National Strategy and its action plan.

In addition to analysis of suspicious cases, supervision of reporting entities, exchange of information with partner financial intelligence units and law enforcement bodies, which comprises the GDPML's core activities, GDPML also participates in a number of other important initiatives and projects relating to the fight against money laundering and corruption, including performing ongoing verification and checks for members of the judiciary and their family and participating in several task forces focusing on the fight against organised crime and narcotics.

In further support of its domestic anti-money laundering and anti-terrorist financing regime, Albania has signed and ratified a number of international conventions related to anti-terrorism financing and anti-money laundering, including: the Vienna Convention (ratified on 26 December 2000), the Palermo Convention (ratified on 7 November 2002); the Merida Convention Against Corruption (ratified on 25 May 2006); the European Council Convention "On the search, seizure and confiscation of proceeds of crime and terrorism financing" (the so-called "Warsaw Convention") (ratified on

27 November 2006); and the European Council Convention "For the protection of terrorism" (ratified on 20 November 2006).

In April 2021, the MONEYVAL Committee approved the second enhanced follow-up report to the 2018 mutual evaluation report, positively re-rating Albania for its technical compliance with FATF recommendation 7 as partially compliant and noting that Albania has made some progress in addressing the technical compliance deficiencies identified in the 2018 mutual evaluation report. Following publication of this report, only seven out of the 40 FATF recommendations remain partially addressed, and no recommendations are rated as non-compliant.

In May 2022, the MONEYVAL Committee stated that Albania had improved measures to combat money laundering and terrorist financing, demonstrating good progress in compliance with the FATF standards. Albania's ratings were upgraded from "partially compliant" to "largely compliant" in two areas related to transparency and beneficial ownership of legal persons (Recommendation 24) and regulation and supervision of financial institutions (Recommendation 26); and from "partially compliant" to "compliant" in the area of "mutual legal assistance regarding freezing of assets and confiscation" (Recommendation 38).

In May 2023, the MONEYVAL Committee stated that Albania had made progress to address technical compliance deficiencies identified in the mutual evaluation report and subsequent follow-up reports, As a result, Albania's ratings were upgraded from "partially compliant" to "largely compliant" in two areas related to transparency and beneficial ownership of legal arrangements (Recommendation 25) and regulation and supervision of designated non-financial businesses and professions (Recommendation 28).

The MONEYVAL Committee is expected to conduct its sixth evaluation of Albania during the period of 2025-2026.

Albanian Financial Supervisory Authority

The AFSA was established in October 2006 to regulate and supervise non-banking financial markets in Albania. The AFSA is an independent public institution, accountable to the Assembly.

The AFSA's main functions are the regulation and supervision of:

- the insurance market and its activities, which includes all insurance, reinsurance and intermediary activities, as well as operations that stem from such activities;
- the securities market and its activities, which includes the activity of entities linked with securities investments and entities that operate in this market; and
- the private pension funds market and its activities, which includes all private pension fund activities provided by entities that operate in this market.

In 2014, changes to the law regulating AFSA were introduced to set out in law the independence of the AFSA in financial and governance matters.

Capital Markets Legislation

Albania has enacted a body of capital markets legislation to encourage the orderly running of the capital markets in Albania. This legislation includes (i) Law № 62/2020, dated 14 May 2020, "On Capital Markets", which is the general law regulating capital markets, including the manner and conditions for the offer, purchase and sale of financial instruments in Albania and establishing procedures for the regulation and supervision of the markets in financial instruments; (ii) Law № 56/2020 "On Collective Investment Undertakings", which regulates the establishment and activities of collective investment undertakings, management companies and depositories, as well as the cross border activities of such entities; and (iii) Law № 10236 of 18 February 2010 "On takeover of companies with public offer", which regulates takeovers of publicly-listed companies, primarily in line with EU regulations.

Capital Markets

The capital markets in Albania are generally considered to be small relative to the current size of the economy. In recent years, however, capital markets have shown higher growth than in previous years, due to an expansion of investment funds. The collective investment undertakings' industry in Albania emerged in 2012 with the establishment of two publicly-offered investment funds, one operating in Lek and the other in Euros, administered by the same management company.

As at 30 September 2024, the market structure of collective investment undertakings ("**CIUs**") consists of thirteen operational publicly-offered investment funds, one feeder fund and three alternative investment funds offered only to professional and qualified investors, six management companies administer the operational CIUs. According to market data analysis, as at 30 September 2024, the total net asset value of the CIU's market was ALL 56 billion or €560 million, representing an increase of ALL 5.6 billion, or 11.0%, as compared to 31 December 2023. CIUs had 36,000 members as at 30 September 2024, an increase of 11.8% compared to 31 December 2023.

The assets of the publicly-offered investment funds operating in Lek, are invested mainly in Government securities issued in Lek. The assets of other publicly-offered investment funds denominated in Euros are mainly invested in debt instruments issued by the Government, the governments of other European countries, foreign corporations, units of investment funds and equities of large corporations traded in regulated markets in the United States, the EU, Switzerland and other countries.

The most active segments in the securities market are Government securities and corporate bonds issued through private placements. Government securities are traded OTC in the retail market, as well as on the Albanian Securities Exchange (the "**ALSE**"), which was licensed by AFSA in 2017 and became operational in February 2018. As at 30 September 2024 approximately €240 million in corporate bonds issued by private placement (issued primarily by banks) were outstanding. On 28 April 2023, AFSA approved a prospectus for the first public offering of corporate bonds to be listed on the ALSE. Three members (all of which are banks) trade currently on the exchange on behalf of their portfolios and clients.

The trading volume between February 2018 and September 2024 was approximately €41.8 million.

In January 2019, the Albanian Securities Registry ("**ALREG**") was licensed by the Board of AFSA to act as a registrar for non-Government securities. The settlement of Government securities is carried out by the Albanian Financial Instrument and Register ("**AFISAR**"), which is operated by Bank of Albania. In November 2019, ALREG was licensed by the Bank of Albania to act as a settlement system operator. Since December 2019, ALREG has also been approved by AFSA to provide clearing and settlement services for non-Government securities. On 1 March 2021, ALREG became a member, as an indirect participant, in the Bank of Albania's Albanian Interbank Payment System for large-value payment, making ALREG's post-trade infrastructure fully operational.

As at 30 September 2024, there had been private placement bond issues registered with ALREG in different currencies in an aggregate amount of €230 million and corporate bonds issued through public offers registered with ALREG in an aggregate amount of approximately €4.7 million.

As of 30 September 2024, there were 11 entities (banks and investment firms) providing investment services, of which nine banks provide custodian services, two banks provide underwriting services, and one bank provides portfolio administration services for individuals, as well as investment advice. In addition, as at 30 September 2024, there were two registrars in charge of clearing and settlement for securities operated within the Albanian securities market (of which one provides the function of settlement for Government Securities, and one provides the clearing and settlement function for non-Government securities and plays the role of a central securities depository).

Government Securities Retail Market

The retail market for Government debt instruments (treasury bills and bonds) is an active securities market segment in Albania. The performance of the Government securities retail market can be followed on a daily basis on the Government Securities Retail Market (the "**GSRM**") section of AFSA website. The GSRM platform provides daily updated information on the type and trading volume of transactions, type of government securities, yields, days until maturity of the securities and the performance of Government securities. All financial intermediaries (mainly banks) that have been licenced to provide investment services in relation to government securities and other financial instruments must disclose all the above-mentioned information on the GSRM platform. The platform also includes a historical database of such information.

The volume of retail secondary market Government securities in 2023 was dominated by transactions in short-term instruments (treasury bills), which represented 68% of total retail secondary market transactions in Government securities,

while long-term instruments (primarily notes and treasury-bonds) represented 32%. In terms of the number of transactions, 85% of all transactions in the secondary market for Government securities were in treasury bills.

The following table sets forth certain statistical data relating to the Government Securities Retail Market for the periods indicated.

Government Securities Retail Market

	Value					Change			
	2019	**2020**	**2021**	**2022**	**2023**	**2019/ 2020**	**2020/ 2021**	**2021/ 2022**	**2022/ 2023**
	(ALL millions)					*(%)*			
Purchase in the primary market	**17,410.52**	**17,838.77**	**18,781.18**	**52,508.23**	**40,104.19**	**2.46**	**5.38**	**179.58**	**(23.62)**
Individuals	14,752.21	15,847.68	15,678.39	49,573.62	37,454.47	7.43	(1.07)	216.19	(24.45)
Legal Persons	2,658.31	1,991.09	3,102.79	3,104.61	2,649.72	(25.10)	55.83	0.06	(14.65)
Selling from financial intermediaries portfolio	**5,627.06**	**2,877.65**	**2,483.91**	**6,152.19**	**4,734.02**	**(48.86)**	**(13.68)**	**147.68**	**(23.05)**
Individuals	3,006.20	2,333.10	1,885.37	4,491.87	4,350.29	(22.39)	(19.19)	138.25	(3.15)
Legal Persons	2,620.86	544.55	598.54	1,660.32	383.73	(79.22)	9.91	177.39	(76.89)
Purchase from individuals prior to maturity date	**2,527.46**	**2,728.44**	**2,734.54**	**3,132.01**	**3,164.80**	**7.95**	**0.22**	**14.54**	**1.05**
Individuals	2,291.46	1,728.70	2,257.92	2,777.01	3,008.60	(24.56)	30.61	22.99	8.34
Legal Persons	236.00	999.74	476.62	355	156.20	323.62	(52.33)	(25.52)	(56.00)
Pledging of Government securities as collateral	**309.32**	**472.33**	**525.35**	**996.85**	**1,590.17**	**52.70**	**11.22**	**89.75**	**59.52**
Individuals	257.70	430.33	425.75	358.05	413.37	66.99	(1.07)	(15.90)	15.45
Legal Persons	51.62	42.00	99.60	638.80	1,176.80	(18.64)	137.14	541.37	84.22
Payment of nominal value in maturity date	**19,273.06**	**16,841.17**	**12,588.70**	**14,694.69**	**44,595.07**	**(12.62)**	**(25.25)**	**16.73**	**203.48**
Individuals	18,491.87	16,330.26	11,731.55	13,678.99	42,784.70	(11.69)	(28.16)	16.60	212.78
Legal Persons	781.19	510.91	857.15	1,015.70	1,810.37	(34.60)	67.77	18.50	78.24

Source: AFSA

Pension Funds

The pension fund market in Albania is regulated by the newly enacted Law № 76 of 21 September 2023 "On Private Pension Funds", which came into force in November 2023. This legislation sets the necessary standards in terms of regulating and supervising private pension funds in compliance with the European Directives, OECD and International Organisation of Pension Supervisors principles, and it aims to encourage greater participation in pension funds while ensuring stronger protection for their members.

As at 30 September 2024, there were six voluntary private pension funds operating in the Albanian market, with total net assets of ALL 7.7 billion or (€78 million). The market increased by 15.0% in the nine months ended 30 September 2024, as compared to 31 December 2023. The increase in pension fund assets in the nine months ended 30 September 2024 was due to increases in members, members' contributions to pension funds and investment activity. There were 43,375 members participating in the six pension funds as of 30 September 2024, representing an increase of 13.6%, as compared to 31 December 2023.

Pension funds' assets are primarily invested in Government securities, which account for 98.4% of the total assets in the pension fund market. As of 30 September 2024, the value of these investments increased by 17.51% compared to as at 31 December 2023.

Insurance Market

The insurance industry in Albania is regulated by AFSA. As at 30 September 2024, 12 insurance companies were operating in Albania, comprising eight non-life insurers and four life insurers, as well as 17 licensed insurance brokerage firms, of which five banks licensed as insurance brokers. Six insurance brokerage firms and one bank are licensed to operate for non-life insurance, three insurance brokerage firms and four banks are licensed to operate for life and non-life insurance and three insurance brokerage firms are licensed to operate for life insurance, non-life insurance and reinsurance. There is one licensed non-life insurance agent firm and four banks licensed as insurance agents, of which three are non-life insurance agents and one operates as a life insurance agent. In 2023, total assets held by Albanian insurance companies amounted to ALL 50.6 billion, or 1.0% of nominal GDP. The investment portfolio of insurance companies accounted for 72.4% of total assets as at 30 September 2024. As at 30 September 2024, bank deposits accounted for 44.6% of the total investment portfolio, followed by land and buildings (17.3%), Government securities (16.1%) and investments in other companies (18.7%).

The gross written premiums of insurers in Albania were ALL 22.8 billion (€220 million) for 2023, representing an 8.9% increase, as compared to 2022. In 2023, the number of issued insurance contracts was over ALL 1.5 million, reflecting a 10.6% increase, as compared to 2022. The market continued to be dominated in 2023 by non-life insurance products, which accounted for 90.8% of the total volume of written premiums. The life insurance market share represented 9.2% of total written premiums, while the reinsurance market share was 0.02%. Voluntary and compulsory insurance gross written premiums represented 33.5% and 66.5%, respectively, of total gross written premiums.

PUBLIC FINANCE

The Budget Process

Albania's current organic budget law, the "Law on the Management of the Budget System" № 9936/2008, as amended (the "**Organic Budget Law**"), was approved on 26 June 2008. The Organic Budget Law sets out the core principles and organisational structures of the budgetary system and is supported by the Constitution and laws regarding local government, public procurement, internal audit, public financial inspection and financial management and control. Part 13 of the Constitution includes provisions relating to a budgetary system composed of the state budget and local budgets. Since 2005, Albania has used an integrated planning system ("**IPS**"), which aims to promote coherence, effectiveness and harmonisation of strategic planning, public finance and policy monitoring. The Organic Budget Law was amended in June 2016 to include a number of fiscal rules aimed at reducing public debt and improving budgetary discipline. These amendments improved the budget programming process, including the development of performance-based budgeting, budgetary rules relating to public investment and a mechanism intended to limit the growth of public debt, the so called "debt-brake". See "*—Fiscal Policies and Budget Performance*".

Budgeting Process

The Government's fiscal year runs from 1 January to 31 December. The beginning of each budget year is preceded by a detailed IPS calendar with processes and respective deadlines, which is circulated by the Ministry of Finance. The IPS calendar is first approved by the Strategic Planning Committee, and later receives final approval from the Council of Ministers by September.

In January of each year, the Ministry of Finance prepares a five-year macro-economic and fiscal framework, which provides the basis for setting out the expenditure ceilings for each line ministry and budgetary institution (*i.e.,* entities whose activities are financed by the central government budget) based on its policies and past performance. Within these ceilings, the line ministries and budgetary institutions prepare their budget requests as part of the MTBP preparation process for the next three years.

In February 2018, the guidelines for the preparation of the MTBP (the "**Standard Guidelines**") were revised to bring them closer to current international best practice. Under the Standard Guidelines, the MTBP document is divided into two parts: (i) budget expenditures that finance existing policies and (ii) budget expenditures for new policy initiatives. The aim of this division is to preserve existing budgetary commitments and to finance new policies with any available fiscal space at a given point in time within the MTBP period. The Standard Guidelines also set out two phases for the MTBP preparation process: (i) the strategic phase (1 March - 30 April); and (ii) the technical Phase (10 July - 31 August). The aim of the strategic phase is to update the budget packages for the existing policies and new policy initiatives in accordance with the Government's policy priorities and the medium-term macro-economic and fiscal framework. The strategic phase aims to determine firm MTBP ceilings that are then utilised in the technical phase, in which budgetary institutions are primarily required to refine the details, expected output and related costs for the relevant budgetary items.

Budget requests are submitted to the Ministry of Finance by 1 May of each year for the strategic phase and by 1 September of each year for the technical phase. The Ministry of Finance then analyses the compliance of the budget requests with applicable Government ceilings and objectives and makes recommendations, which are included in a MTBP analysis report. This report is discussed with the ministries and then officially submitted to the ministries and central institutions.

The Ministry of Finance then prepares the final MTBP document and the annual budget law, which are initially submitted to the Strategic Planning Committee and Council of Ministers by 15 October of each year for review and approval, and then to the Assembly for final approval, by 1 November. In accordance with the Organic Budget Law, each annual budget must be approved by the end of November of the preceding fiscal year. If there is a delay and the budget is approved in December, the Ministry of Finance proceeds to allocate the minimum necessary expenses (such as salaries and other current expenditures) that would not exceed the respective actual amounts spent in the previous year.

After the approval of the annual budget law, the Minister of Finance updates the final MTBP document and makes it available to the budgetary institutions for budget management and monitoring purposes.

Following approval, the Ministry of Finance issues the budget implementation instruction in January. The budget implementation instruction establishes rules, procedures and deadlines for all budgetary institutions during the budget implementation process. The Ministry of Finance approves the initial breakdown of budgetary funds for each spending unit of the budgetary institutions and takes responsibility for ensuring that the breakdown of budgetary funds is reflected in the treasury system on time and in accordance with the budget implementation instruction.

Budget Monitoring and Reporting

During the budget year, each budgetary institution may submit requests (for example relating to new policies) to the Council of Ministers to reallocate funds among its own spending programmes, although the reallocation amount may not exceed 10% of the approved fund for that particular spending programme. According to the amended Organic Budget Law, at the end of each four-month period, all budgetary institutions are required to submit to the Ministry of Finance periodic monitoring reports regarding the status and progress of their budgetary performance in terms of policy and financial achievements.

The Ministry of Finance analyses the reports and makes recommendations for improvements to the respective budgetary institutions. The Ministry of Finance's first and second monitoring reports (for the periods January to April and May to August, respectively) provide feedback for the first and second phases of the MTBP. The Ministry of Finance's annual monitoring report serves as a basis for the new macro-economic and fiscal framework review.

According to the Organic Budget Law, by 31 May of each budget year, the Minister of Finance submits to the Council of Ministers an annual consolidated budget execution report for the year. In June of each year, the Council of Ministers approves and submits to the Assembly the consolidated annual budget implementation report.

This report includes:

- annual consolidated accounts for state financial transactions;
- a report on annual budget implementation against approved funds;
- a report on public debt and its composition;
- a report on the use of the reserve and contingency fund;
- information on the achievement of objectives, status of financial management and internal control and internal audit; and
- other financial statements required by the Board of Public Financial Internal Control.

The consolidated annual budget implementation report is audited by the State Audit Office each year and published by the Ministry of Finance in June of each year. The State Audit Office certifies the annual consolidated accounts for state financial transactions and presents to the Assembly a comprehensive report on the previous fiscal year's budget implementation. The annual consolidated budget implementation report is approved by the Assembly in October of each budget year, and is published in the Official Gazette.

In addition, in June of each year, the Minister of Finance submits a mid-year report to the Council of Ministers on the implementation of the consolidated budget for the ongoing year, which is published on the Ministry of Finance's website. This report includes:

- an overall assessment of Albania's economic condition and of its macro-economic, fiscal and budgetary indicators, for the period from January to May of that year;
- an assessment of estimated macro-economic, fiscal and budgetary indicators for the remaining period of the year (from June to December);
- measures to be undertaken by the Government to meet forecasts regarding macro-economic, fiscal and budgetary indicators; and
- the Minister of Finance's proposals regarding any potential revisions to the budget.

Local government budget monitoring reports are also published on a periodic basis.

Amendments to the annual Budget Law may be made in the event of discrepancies or revised targets. In recent years, annual budget has typically been revised at least once per year, as needed, to reflect actual results. The 2019 Budget Law was revised on two occasions, in October and December 2019, with the aim of redirecting all unused budget resources towards the relief effort carried out by the Government following the November 2019 Earthquake. In response to the outbreak of COVID-19, the 2020 Budget Law was amended four times, on 21 March 2020, 15 April 2020, 2 July 2020 and 16 December 2020, with such amendments (including raising the net borrowing limit for 2020 from ALL 44.4 billion to ALL 72.8 billion) aimed at guaranteeing financial support for the Government's COVID-19 social packages. It is estimated that the aggregate cost of the financial packages was ALL 42.6 billion. The 2021 Budget Law was amended on six occasions: on 5 February 2021 (to reflect commitments and expenses arising from the implementation of the new Electoral Code and the parliamentary elections in April 2021); on each of 22 March 2021, 14 April 2021 and 22 June 2021, among other things, to reflect expenditures for the purchase of vaccines against COVID-19, in line with the national vaccination strategy; on 27 October 2021, to reflect amendments to net borrowing limits; and on 3 December 2021, to direct unused budget resources towards payment of arrears, to support the agriculture sector and to support families affected by the November 2019 Earthquake. The 2022 Budget Law was amended on three occasions, in March, July and December 2022, to provide targeted support (of approximately 0.6% of GDP) to vulnerable groups and public administration employees, comprised of temporary and permanent measures, to increase the minimum wage from ALL 30,000 to ALL 34,000 and to provide financial support aimed at mitigating the impact of inflation as a result of the war in Ukraine and global macroeconomic conditions. The 2023 Budget Law was amended twice: in October 2023 (to reallocate unexecuted capital expenditure funds between programmes and to clear a large portion of arrears) and December 2023 (to reallocate unspent funds of approximately 0.9% of GDP (ALL 20 billion)). The 2024 Budget Law was amended twice: in February 2024 to lower the budget deficit target to 2.4% of projected GDP and raise the target primary balance surplus to 0.4% of GDP, as well as to include a new ALL 4 billion state guarantee for the garment industry; and in August 2024, to reflect the positive revenue collection achieved during the first half of the budget year (with the aim of providing financing to key policies and accelerating certain investment projects in the infrastructure, agriculture, education and health sectors). Such amendments were in line with policy guidance set out in the 2024-2026 ERP.

Local Budgets

In 2017, Law № 68 of 27 April 2017 "On local self-government finances" (the "**Local Finance Law**") was adopted. The Local Finance Law, together with its implementing secondary legislation, provides a framework for local budget management and to promote fiscal and local financial autonomy through the provision of more sources of funding for local governments, as well as improving predictability, stability and transparency. The Local Finance Law also strengthens local public finance rules and improves fiscal discipline in accordance with the principles of the European Charter on Local Self-Government and the Constitution. The Local Finance Law increases the funds available for local government in development sectors, such as agriculture, forestry and roads, presents opportunities for local governments, improving the delivery of services to citizens and the general business climate. The Local Finance Law outlines local government financial resources from local government income, shared taxes or central Government assistance. In order to increase the sustainability of unconditional transfers, it is stipulated in the Local Finance Law that such transfers will not be less than 1% of the GDP estimated in macro-economic forecasts adopted by the Council of Ministers. Guidelines and by-laws have been prepared, which aim to improve and unify the reporting formats for budget execution. The Ministry of Finance has also approved guidelines for the identification of financial problems, including identifying when a local government unit is insolvent.

In 2024, a new methodology for 12 pilot municipalities and was implemented for the drafting of the medium-term budget programme and measures were taken to oversee the process of local budget implementation procedures for all expenditures from local revenues and for transfers from the central budget. The fiscal indicators for 2024 budget implementation will be monitored in order to implement more efficient and effective budget policies for local government budgetary funds. In addition, in 2024, the Ministry of Finance introduced a new online system for the preparation of the annual budget for 61 municipalities and 12 quarks (counties).

In a report prepared by the Ministry of Finance in respect of the 2023 financial year, the Ministry of Finance found that 48 municipalities and ten districts were without financial problems, eight municipalities had financial problems and five municipalities and two districts were in financial difficulty. A rehabilitation plan aimed at resolving the identified financial difficulties has been prepared and is expected to be implemented during the 2024-2025 period. The Ministry of Finance will continue its monitoring programme, including of debt repayment plans for municipalities with financial difficulties in 2025.

The Organic Budget Law and the Local Finance Law together set out the rules and procedures with regard to the interaction of national and local budgets. Through the budget preparation instructions issued for general Government units twice annually in February and July, the Ministry of Finance provides local government units with estimates for

respective unconditional transfers from the central budget. Upon receiving these instructions, local government units start preparing their budget proposals by reconciling unconditional transfer estimates with their own revenue estimates. Local governments then submit their budget proposals to their respective councils for approval.

In addition to unconditional transfers, local government units are entitled to obtain conditional funds from central Government units for shared functions in sectors, such as civil registrations (*i.e.,* of births, marriages and deaths), social protection and civil protection, along with specific transfers for functions transferred by law after the administrative territorial reform of 2015. The Local Finance Law and Organic Budget Law also set out the principles and rules for each local government unit with regard to their right to obtain loans for financing investment projects.

The Local Government Council is responsible for approving, by special decision, the annual budgetary revenues and appropriations for the local government units and their special funds. Through its approval, the Council gives local governments the right to undertake expenditures in exercising their functions, as well as to borrow for investment projects.

Fiscal Policies and Budget Performance

The soundness of public finances is a key pillar of the Government's continuing economic reform programme, which aims to safeguard macro-economic stability and sustainability by strengthening the overall fiscal framework, creating mechanisms to ensure that forecasting is realistic and streamlining the MTBP preparation process. See "—*The Budget Process*".

Prudent and realistic macroeconomic programming is one of the components covered by the first pillar of the Government's Public Financial Management Strategy 2023-2030 (the "**PFM Strategy**"), macroeconomic programming and risk monitoring, which seeks to have in place a system of generally accepted fiscal rules in combination with solid practices for macroeconomic programming and forecasting and a developing a credible medium-term framework that forms a sound basis for formulating the Government's medium-term fiscal policy and the MTBP.

EU Integration

Albania has adopted EU principles for good public finance management and fiscal prudence as expressed in the EU 2011 directive on budgeting. Albania's Public Finance Management Reform ("**PFMR**") aims to comply with this directive currently such that its provisions will be met upon Albania's accession to the EU.

Medium Term Priorities

The PFM Strategy was adopted in June 2024 and is published on the Ministry of Finance's website. A PFM Action Plan has been approved for the period 2023-2026.

The PFM Strategy contemplates reform measures are across six pillars: (i) macroeconomic programming and risk monitoring; (ii) integrated strategic and budget planning, monitoring, and transparent reporting; (iii) revenue mobilisation and management; (iv) accounting and budget execution management; (v) public internal financial control; and (vi) external oversight.

Albania has implemented several public financial management reforms during the past decades. The PFM Strategy replaces the Public Financial Management Strategy 2019 – 2022 and focuses on improving existing systems and is aligned to the National Strategy for Development and European Integration, as well as other strategies aimed at improving governance. The overarching goal of the PFM Strategy is to establish a public finance management system that ensures transparency, accountability, fiscal discipline and efficiency and equity in the use of public resources for the provision of improved public services and economic development and which ensures the smooth integration of Albania in the European Union.

The creation of PFM Strategy instruments

PFM Strategy instruments that include legislative changes, building activities and the implementation of an integrated financial management system have resulted in:

- the implementation of fiscal rules, oversight and risk management which (prior to the triple shocks of the November 2019 Earthquake, COVID-19 pandemic and increased inflation and energy prices) resulted in the debt-to-GDP ratio following a downward trajectory from 66.6% in 2018 to 65.0% in 2019. While levels subsequently increased to 73.9% in 2020, 74.1% in 2021 as a result of such shocks, and thereafter returned to a downward trend reaching 64.1% in 2022, and 57.5% in 2023;

- improvements in forecasting capabilities and evidence-based policy making, including the introduction of legal provisions to address over-optimistic forecasting, as well as new debt, deficit and primary balance rules, as well as establishing a new sector for analysis and statistics to improve forecasting capabilities;

- the creation of a procedural framework to ensure a better alignment of strategic plans with the MTBP;

- the strengthening of processes and institutional capacity for initiating, evaluating, prioritising and approving public investment projects – including, in 2022, in introducing sector specific financial limits defining strategic public investment projects and for the assessment of the strategic relevance of projects for the National Single Project Pipeline (which was adopted in June 2023);

- the revision of tax policies, increasing the capacity of the tax and customs administration to collect revenue, reform property tax and establish a fiscal cadastre to ensure consolidation of property data – including, in 2024, drafting a new law on property tax, which is intended to set property taxation based on market value;

- improved integrated policy development and strategic governance ensuring that the National Strategy for Development and Integration, sector strategies and MTBPs are aligned with each other, with compliance with the IPS improved in 2023, with 70% of all strategies and action plans being developed in accordance with IPS guidelines;

- strengthened fiscal management in local government by implementing the Law on Local Finances and related monitoring tools, software and implementation frameworks;

- periodic monitoring of multi-year commitments and liabilities through the system to ensure prevention and settlement of arrears, with the creation (in July 2020) of an arrears working group and subsequent monitoring of arrears, and, in 2024, the creation of the Fiscal Risk Directorate to help co-ordinate, develop and advance fiscal risk management as a whole;

- increased the effectiveness of the public procurement system in line with international best practices that guarantee high transparency, accountability, control and value for money, including the adoption of a new public procurement law (in December 2020), electronic e-complaints management and the design and implementation of a green public procurement methodology;

- the efficient management and control of external funds through the EAMIS system, with a procurement process in respect of maintenance of the EAMIS system ongoing;

- accounting reform, including switching to accrual accounting, with certain targets to improve the regulatory framework and, in particular, for full compliance with International Public Sector Accounting Standards ("**IPSAS**") by 2030 and the establishment of a separate accounting reform unit to support the process of transition to accrual accounting through the adoption of a regulatory framework that is based on IPSAS;

- timely and more reliable production of Government statistics;

- publication of annual and yearly reports containing accessible information on financial and non-financial performance;

- improvement of regulations for public assets valuation and inventory, with training provided an a concept paper has prepared for public sector accounting reform;

- more structured and timely engagement with citizens, civil society organisations and academia in budget planning, monitoring and reporting, with citizen's budget guides published in each of 2019, 2020, 2021 and 2022;

- strengthening of the public internal financial control system with, notably, in 2023, amendments made to the law on Financial Management and Control ("**FMC**"), accompanied by updates to the FMC manual; and

- strengthening of the external audit function by aligning it with international standards.

The key priorities of the PFM Strategy include:

- macroeconomic programming and risk monitoring, with the objective of having in place: (i) a system of generally accepted fiscal rules in combination with solid practices for macroeconomic programming and forecasting and a credible medium-term fiscal framework that form a sound basis for formulating fiscal policy (by 2030); (ii) a comprehensive debt sustainability analysis to be used to proactively identify potential risks associated with indebtedness (by 2027); and (iii) a comprehensive fiscal risk management system and reporting addressing the main relevant contingent liabilities and other fiscal risks (by 2030);

- integrated strategic and budget planning, monitoring, and transparent reporting, with the objective of having in place by 2030: (i) an integrated planning system to effectively develop, monitor and evaluate interlinked national, sectoral, cross-cutting and regional strategies and prioritised public investments in connection with budgetary resources; (ii) developed and institutionalised processes to ensure a high-quality and credible MTBP (both pre-budget statement and annual budget law) serving the implementation of the government priorities and policies and the delivery of public services; (iii) a system for public investment management based on best international practice and which includes a national single project pipeline, as well as practices for merit-based project appraisal and selection linked to strategic government objectives and transparent monitoring, reporting and evaluation; (iv) strong PFM systems and adequate financial resources at the municipality level, through transparent revenue sharing and transfer mechanisms and revenue collection capacity that enable them to provide public services in accordance with the applicable standards; and (v) comprehensive and transparent budget monitoring and reporting system in place at the level of budget institutions and at a central level covering all aspects of the budget reporting in place;

- revenue mobilisation and management, with the objective of having in place by 2030: (i) enhanced revenue mobilisation aimed at creating fiscal space for investment and sustainable development through a combination of tax policy reform and modernisation of the administrative systems; to ensure compliance with EU regulations and to improve the service delivery to tax payers; (ii) a fully operational fiscal cadastre and effective property tax collection system targeting all properties across all municipalities; and (iii) effective customs administration, delivering improved services to citizens and businesses and operating in compliance with EU standards and legislation;

- accounting and budget execution management, with the objective of having in place by 2030: (i) Government financial statistics and excessive procedure deficit tables compliant with EU standards; (ii) consolidated financial statements in compliance with international public sector accounting standards; (iii) an efficient and effective procurement system operating in accordance with the principles of transparency, free and fair competition, non-discrimination and equal treatment; (iv) a comprehensive Debt Management System that ensures that financing needs and debt payment obligations are met at the lowest possible cost over the medium- to long-term consistent with a prudent degree of risk; (v) advanced cash planning and cash management systems to ensure efficient and effective treasury operations; (vi) procedures and systems for the registration and valuation of all public assets in accordance with the adopted accounting standards;

- public internal financial control, with the objective of having in place by 2030: (i) strong fiscal management and control systems (compliant with national legislation and international / EU best practices) in all public institutions; (ii) value-added internal audit in all public institutions, in accordance with international standards; (iii) public financial inspection that effectively addresses all reported cases of irregularities fraud and corruption and national anti-fraud strategy implemented to protect EU financial interests; (iv) public finance management systems in compliance with EU requirements for sound financial management; and

- external oversight, with the objective of having in place by 2030: (i) ensuring that the supreme audit function operates in accordance with International Organization of Supreme Audit Institutions principles and in full compliance with the international standards for supreme audit institutions through improvement of the legal, regulatory and methodological framework and the deployment of sufficient and capacitated auditors and support staff; and (ii) ensuring that the enabling environment and supporting structure for the Committee for Economy and Finance is formalised in line with EU practices.

The PFM Action plan for the period 2023-2026 is focused on:

- *macroeconomic programming and risk monitoring*: (i) prudent and realistic forecasting of macroeconomic indicators and medium-term revenue forecasting in line with independent and international forecasters; (ii) safeguarding public finances through compliance with fiscal rules; (iii) providing assistance for debt

sustainability analysis and introducing it as a new macroeconomic programming analytical tool; (iv) enhanced fiscal risk monitoring and introducing an annual fiscal risk statement; and (v) establishing a fiscal council;

- *integrated strategic and budget planning, monitoring, and transparent reporting*: (i) enhancing planning systems for formulating and monitoring strategies; (ii) introducing annual policy documents attached to the NSPP at the start of the MTBP process; (iii) developing information systems to ensure linkage between the planning system and budgeting and investments; (iv) improving procedures and accountability for MBP formulation; (v) improving budget documentation including performance information; (vi) introducing sector-specific spending reviews; (vii) developing climate-responsive and gender-responsive budgeting; (viii) improving procedures for public investment management; (ix) putting the NSPP into operation and enhancing the Ministry of Finance's role as gatekeeper; (x) improving the grant calculation system for local governments; (xi) improving budget execution and budget monitoring practices and MTBP formulation; (xii) improving systems for subnational budgeting and monitoring; (xiii) improving practices by budget institutions and introduce new citizens budget execution report; and (xiv) improving reporting on public investment projects and public private partnerships contracts;

- *revenue mobilisation and management*: (i) adopting the Medium Term Revenue Strategy, 2024-2027; (ii) improving institutional capacity to analyse and develop tax policies and reform; (iii) implementing initiatives to reduce the VAT compliance gap; (iv) implementing initiatives to reduce under and undeclared work; (v) enhancing taxation of unjustified wealthy inside and outside the country; (vi) reduce tax evasion; (vii) improving tax administration services, fiscal cadastre and property tax collection system; (ix) modernising business and risk management processes of the Customs Administration; (x) developing a framework to fight informality and corruption; (xi) introducing a national single window and increase number of authorised economic operators; and (xii) improve the adoption of the Computerised Transit System;

- *accounting and budget execution management*: (i) improving government financial and excessive procedure deficit statistics with EU standards; (ii) sending statistics to Eurostat; (iii) increasing access to electronic archives; (iv) improve information systems and develop a legal and regulatory framework to account for accounting reforms; (v) guaranteeing efficiency and sustainability in public procurement procedures; (vi) improving the complaint review system; (vii) strengthening debt management reporting; (viii) developing a comprehensive framework for provision of guarantees and on-lending; (ix) assess the potential use of new alternative financing instruments; (x) improving the cash forecasting process and establish a performance monitoring system; (xi) enhancing cash management instruments; and (xii) finalise reform on the asset registry in information systems;

- *public internal financial control*: (i) enhancing legal and regulatory framework for financial management and control; (ii) enhancing managerial accountability and risk management practices in public institutions; (iii) supporting public institutions with financial management and control tools; (iv) ensuring all public institutions have internal audit services; (v) strengthening financial compliance and performance audit practices; (vi) improving the engagement of management of budget institutions to follow-up on recommendations of audits; (vii) enhancing collaboration of audit organisations; (viii) strengthening coordinating role for national anti-fraud strategy; (ix) developing and implement a regulatory framework and procedures for IPA III management; and (x) preparing for the absorption of EU funds by identifying management options and improving fund management systems; and

- *external oversight*: (i) improving the role of audit institutions in supporting Parliament to improve accountability and examination of entities using public funds; (ii) increasing the impact of audits on governance by increasing implementation of recommendations; (iii) optimising professional capacities to acquire innovative knowledge in audit work; and (iv) professionalising the support structures of the Committee for the Economy and Finance by implementing a development plan.

2025-2027 ERP

The 2025-2027 ERP was formally published on 15 January 2025. See "*The Albanian Economy—Economic Policies and Priorities*".

The 2025-2027 ERP sets out key macroeconomic and fiscal policies for the period, with the overarching goal of fostering sustainable economic development, stimulating employment growth and ensuring the medium- and long-term sustainability of public finances. The 2025-2027 ERP aims to safeguard and reinforce macroeconomic stability and is aligned with the RA 2024-2027, which focuses on reform across five interconnected policy areas: business climate human capital development, digital transformation, energy transition and the rule of law.

Pursuant to the 2025-2027 ERP, fiscal policy targets include an annual downward trajectory of public debt, fiscal consolidation and maintenance of a prudent balance between current and capital budget expenditures. The 2025-2027

ERP forecasts the primary balance to be neutral in 2025, before increasing to 0.7% of GDP in 2026 and 0.9% of GDP in 2027). Public debt as a share of GDP is expected to decline to approximately 55.2% in 2024, 54.8% in 2025, 53.2% by 2027 and 48.0% by 2031 (as compared to approximately 57.5% in 2023 and 64.1% in 2022). Capital expenditures are targeted to be an annual average of 6.1% of GDP per year between 2025 and 2027 and the budget deficit is targeted to average 2.0% during this period.

Macroeconomic and Fiscal Framework 2026-2028

On 5 February 2025, the draft macroeconomic and fiscal framework 2026-2028 (the "**2026-2028 Framework**") was formally submitted to the Council of Ministers for review and approval.

Certain economic targets and forecasts set out in the draft 2026-2028 Framework include:

- reducing the gross public debt to GDP ratio from 57.5% as at 31 December 2023 and 55.2% as at 31 December 2024 (forecasted) to 54.8% as at 31 December 2025, 54.0% as at 31 December 2026, 53.2% as at 31 December 2027 and 52.1% as at 31 December 2028;

- maintaining real GDP growth at a similar level to 2023, with targets of 4.0% in 2026, 3.9% in 2027 and 4.1% in 2028;

- increasing revenue as a percentage of GDP from 27.2% in 2023 to 29.0% in 2026, 29.3% in 2027 and 29.1% in 2028; and

- increasing the primary balance from 0.7% of GDP in 2023 to 0.9% in 2027 and 1.4% in 2028.

Recent Budgets

2025 Consolidated Budget

The 2025 Budget Law was approved by the Assembly in December 2024. The 2025 budget targets a projected overall budget deficit-to-GDP ratio of 2.6% and a primary balance surplus of 0.4% of GDP. The 2025 budget aims to support sustainable economic growth, creating employment and development and well-being for Albanian citizens and fiscal consolidation, with the aim of reducing public debt and maintaining macroeconomic and fiscal parameters at positive levels.

Key elements of the 2025 budget and fiscal package include:

- financing of planned public investments of approximately ALL 162.4 billion, or 6.2% of GDP, supporting and developing tourism, agriculture and infrastructure;

- targeting a public debt to GDP ratio of 54.9% by the end of 2025, as compared to the 55.4% public debt to GDP ratio targeted by the end of 2024 in the 2024 budget; and

- the funding of sectors, including the education, healthcare, infrastructure, digital services, agriculture and the EU Growth Plan for the Western Balkans as a priority.

Budget revenues for 2025, as a percentage of GDP, are targeted at approximately ALL 757.0 billion, or 28.9% of GDP, while total expenditures are targeted at ALL 825.1 billion, or 31.5% of GDP.

2024 Consolidated Budget

The 2024 Budget Law was approved by the Assembly in December 2023 and amended on 21 February 2024, 28 August 2024 and 19 December 2024. The 2024 budget (as amended) targets a projected overall budget deficit-to-GDP ratio of 2.4% and a primary balance surplus of 0.4% of GDP. The 2024 budget aims to support Albania's economic growth, promote employment and social protection and support further fiscal consolidation.

Key elements of the 2024 budget and fiscal package include:

- wage reforms, with wage increases for general practitioners, nurses and health workers, pre-university education teachers, policemen, servicemen and certain categories of public administration at local and central government level. The total cost of the new wage reform is estimated at more than ALL 39 billion or U.S.$400 million;

- an ALL 14.2 billion fund aimed at building a sustainable future for Albanian agriculture by supporting nine development programmes including through wage increases; expansion of agriculture, livestock and fish exports, improvement of the irrigation infrastructure, strengthening food security, increasing funds for the National Support Scheme; sustainable management of agricultural lands through digitalisation, and increasing assistance to farmers;

- an ALL 128.5 billion fund (approximately 5.3% of GDP) for planned public investment projects in 2024, with the largest share earmarked for ongoing infrastructure projects, including the Tirana Big Ring Road project, construction of the Llogara Tunnel, the Arbri road and the Orikum-Dukat road, water supply and sewerage infrastructure projects, as well as urban development projects implemented by the Albanian Development Fund. The 2024 budget also supports the post-earthquake reconstruction programme.

Budget revenues for 2024, as a percentage of GDP, are targeted at approximately ALL 687 billion, or 28.2% of GDP (from 27.8% in the original budget), while total expenditures are targeted at ALL 771 billion, or 31.7% of GDP (from 30.3% in the original budget).

Total revenues and grants for 2025 are budgeted to be ALL 757 billion, as compared to ALL 714.3 billion budgeted in the 2024 budget and ALL 643.7 billion of actual revenues and grants in 2023, representing an annual increase of 6% in 2025 and 11% in 2024, primarily due to the increase in tax revenues.

Tax revenues are budgeted to increase by 7.9% to ALL 712.2 billion for 2025, as compared to by 10.3% to ALL 660.1 billion budgeted in the 2024 budget, from ALL 598.7 billion in 2023. This budgeted increase is primarily due to an increase in tax and customs revenues. Total grants for 2024 are budgeted to increase by 61.6% to ALL 19 billion for 2025, as compared to a decrease by 52.4% to ALL 11.8 billion budgeted in the 2024 budget, from ALL 22.4 billion in 2023. This budgeted increase is primarily due to grants to be provided by the European Union under the Western Balkans Growth Plan.

Non-tax revenues comprising mainly profit transfers from the Bank of Albania, the income of budgetary institutions, dividends, service fees and others are budgeted to be ALL 25.8 billion in 2025, as compared to ALL 42.4 billion in the 2024 budget and ALL 22.6 billion in 2023, representing an annual increase of 88% in 2024 and an annual decrease of 60% in 2025

Expenditures

Government expenditures are budgeted to increase by 9.7% to ALL 825.1 billion for 2025, as compared to an increase of 11.4% to ALL 752 billion in the 2024 budget from ALL 675 billion in 2023. These increases are primarily due to a 28.6% increase in capital expenditure in the 2025 budget (as compared to the 2024 budget) and a 6.0% increase in capital expenditures in the 2024 budget, as compared to the actual results for 2023.

Recent Budgets versus Actual Results

The following table sets out the budgets for 2024 and 2025, as compared to the actual results for 2023.

2024 and 2025 Budgets versus 2023 Actual Results

	2023 Actual	2024 Budgeted	2025 Budgeted
	(ALL millions)		
Revenues and Grants	**643,678**	**714,306**	**757,036**
Tax Revenue	598,662	660,137	712,240
Grants	22,431	11,757	18,995
Non-tax Revenue	22,585	42,412	25,800
Expenditures	**674,857**	**751,955**	**825,088**
Personnel Expenditures	100,476	114,852	127,929
Interest	47,591	54,908	68,552
Operational and Maintenance	70,489	84,394	75,684
Subsidies	1,906	1,674	1,950
Social Insurance Outlays	226,788	251,556	263,838
Local Budget Expenditure	68,841	81,250	89,911
Other Expenditures	30,948	30,802	28,150
Reserve Fund/Contingency	0	0	6,700
Capital Expenditures	119,053	126,219	162,374
Arrears	—	—	—
Other Transfers (Net Lending)	3,766	—	—
Expropriation Fund	5,000	—	—
Cash Balance	**(31,180)**	**(37,649)**	**(68,052)**

Source: Ministry of Finance

Notes:

(1) No assurance can be given that the actual financial performance and condition will match the forecasts in the budget.

(2) For 2024 and 2025, the Ministry of Finance's budgeted GDP figures of ALL 2,494,208 million and ALL 2,620,732 million, respectively has been used.

2024 Interim Results

The following table sets forth Albania's actual fiscal results for the periods indicated.

Interim Fiscal Results

	For the eleven months ended 30 November 2023	For the eleven months ended 30 November 2024
	(ALL millions)	
Revenues and Grants	**586,517**	**647,007**
Tax Revenues	545,694	600,394
From tax and customs offices	384,817	416,442
From local government	28,613	36,585
From social contributions	132,264	147,367
Grants	20,785	5,762
Non-tax Revenues	20,038	40,852
Expenditures	**548,770**	**575,332**
Personnel Expenditures	89,727	101,734
Interest	46,155	53,300
Operational and Maintenance	54,273	54,843
Subsidies	1,699	1,168
Social Insurance Outlays	199,096	214,133
Local Budget Expenditure	57,338	61,904
Other Expenditures	26,779	25,377
Reserve Fund/Contingency	—	—
Capital Expenditures	73,583	62,677
Cash Balance	**37,747**	**71,675**

Source: Ministry of Finance

Revenues

Total revenues and grants increased by 10.3% to ALL 647 billion in the eleven months ended 30 November 2024 from ALL 586.5 billion in the corresponding period in 2023. The increase is primarily due to an increase in tax revenues. The increase in tax revenues in the eleven months ended 30 November 2024, as compared to the corresponding period in 2023, was primarily due to: (i) increases in personal income tax from the public sector and the private sector of 23.4% and 15.1%, respectively, as compared to the corresponding period in 2023, in turn, as a result of wage increases and the launch of a campaign aimed at the declaration of real wages in the private sector and the elimination of undeclared work; (ii) improvements in VAT collection, with increases in VAT from the trade, transportation and construction sectors of 31%, 36% and 28%, respectively; (iii) an increase in national tax rates (including a 9% increase in circulation tax, a 12% increase in tax due on transport vehicles and an 18% increase in carbon tax); and (iv) an increase in the excise tax rate for cigarettes and tobacco.

Expenditures

Total expenditures increased by 7.5% to ALL 575.3 billion in the eleven months ended 30 November 2024, from ALL 548.8 billion in the corresponding period of 2023. This increase was primarily due to an increase of 4.8% in personnel expenditures and an increase of 13.4% in interest.

Public Accounts

The following table sets forth an overview of the revenues, expenditures and overall balance of the budget sector public accounts for the years indicated.

Overview of Government Fiscal Operations Budget Sector[1]

	2019	2020	2021	2022	2023
				(ALL millions)	
TOTAL REVENUE	**460,349**	**425,905**	**510,951**	**572,790**	**643,678**
Grants	**10,609**	**8,294**	**13,050**	**9,510**	**22,431**
Tax Revenue	**426,271**	**398,658**	**475,612**	**541,342**	**598,662**
From tax office and customs	304,758	278,984	338,074	390,893	422,491
V.A.T	*132,412*	*130,354*	*161,536*	*191,412*	*192,322*
Profit tax	*36,575*	*28,381*	*35,610*	*47,683*	*64,576*
Excise tax	*46,742*	*44,521*	*51,637*	*53,547*	*58,394*
Personal income tax	*46,124*	*33,658*	*39,312*	*44,983*	*57,878*
National taxes and others	*36,423*	*35,829*	*42,521*	*44,821*	*40,188*
Custom duties	*6,482*	*6,241*	*7,457*	*8,447*	*9,133*
Revenues from local government	23,102	21,975	26,666	27,638	31,686
Property tax (buildings)	*5,208*	*5,124*	*6,116*	*6,138*	*6,181*
Small business tax	*355*	*384*	*385*	*72*	*60*
Local taxes	*17,539*	*16,468*	*20,166*	*21,428*	*25,445*
Social insurance contributions.	98,411	97,699	110,872	122,811	*144,485*
Social insurance	*84,267*	*83,515*	*94,900*	*105,640*	*124,628*
Health insurance	*13,129*	*13,023*	*14,541*	*16,266*	*19,018*
Revenue for owners compensation	*1,015*	*1,161*	*1,431*	*905*	*839*
Non-tax revenue	**23,469**	**18,953**	**22,289**	**21,938**	**22,585**
Profit transferred from Bank of Albania	576	1,398	1,486	0.0	0.0
Budgetary institutions revenue	14,825	11,885	12,960	12,311	13,175
Dividends	267	265	15	64	48
Revenue from services tariffs	2,194	1,586	2,863	2,771	3,209
Other revenue	5,607	3,818	4,964	6,793	6,152
TOTAL EXPENDITURE	**491,897**	**536,279**	**596,279**	**651,015**	**674,857**
Current expenditures	**416,852**	**421,366**	**461,065**	**499,989**	**547,039**
Personnel expenditures	76,962	76,895	83,268	84,696	100,476
Wages	*65,636*	*65,800*	*71,179*	*72,103*	85,945
Social insurance contributions	*10,579*	*10,563*	*11,403*	*11,784*	13,537
Interest	35,143	34,393	35,822	39,624	47,591
Domestic	*22,838*	*22,351*	*23,470*	*24,210*	*29,030*
Foreign	*12,305*	*12,042*	*12,352*	*15,414*	*18,561*
Operational & maintenance	47,215	48,906	59,363	68,505	70,489
Subsidies	1,421	1,478	1,422	1,650	1,906
Social insurance outlays	175,628	179,364	199,457	216,515	226,788
Social insurance	*131,238*	*134,151*	*148,030*	*163,037*	170,239
Health insurance	*42,118*	*43,289*	*49,130*	*52,244*	55,213
Compensation in value to owners	*2,272*	*1,924*	*2,297*	*1,234*	1,336
Local budget	56,227	51,626	52,585	58,694	68,841
Other expenditures	24,257	28,703	29,149	30,306	30,948
Unemployment insurance benefits	*505*	*888*	*952*	*746*	858
Social assistance	*20,189*	*23,996*	23,981	25,464	25,686
Compensation for the politically persecuted	*1,199*	*1,000*	*913*	*996*	1,098
Birth (new-born) bonus	*2,364*	*2,820*	*3,303*	*3,100*	3,306
Reserve fund / contingency	—	**12,052**[2]	**461**	—	—
Capital expenditures	**74,993**	**101,672**	**128,044**	**112,119**	**119,053**
Domestic financing	50,641	59,547	72,116	63,675	88,489
Foreign financing	23,462	24,494	25,699	18,676	13,761
From higher education system's own revenues	890	1,040	708	892	602
Arrears	—	—	—	—	—
Infrastructure obligations	—	—	—	—	—
Tax liabilities	—	—	—	—	—
Others	—	—	—	—	—
Other Transfers (Net Lending)	**53**	**988**	**3,709**	**27,907**	**3,766**
Expropriation fund[2]	**—**	**200**	**3,000**	**11,000**	**5,000**

Overview of Government Fiscal Operations Budget Sector, cntd.

	2019	2020	2021	2022	2023
			(ALL millions)		
OVERALL DEFICIT	**(31,549)**	**(110,374)**	**(85,328)**	**(78,226)**	**(31,180)**
Deficit Financing	**31,549**	**110,374**	**85,328**	**(78,226)**	**(31,180)**
Domestic	40,932	49,426	(18,701)	87,765	(7,324)
Privatisation receipts	*242*	*228*	*306*	*191*	*47*
Domestic borrowing	*17,846*	*48,380*	*48,705*	*26,156*	*20,671*
Other	*22,844*	*818*	*(67,712)*	*61,417*	*(28,043)*
Foreign	**(9,383)**	**60,948**	**104,029**	**(9,539)**	**38,504**
Long-term loan (drawings)	*20,493*	*97,467*	*93,491*	*11,140*	*72,476*
Change .of stat account	*(1,729)*	*1,386*	*1,161*	*589*	*51*
Repayments	*(29,791)*	*(61,698)*	*(33,164)*	*(38,386)*	*(53,238)*
Budgetary support	*1,643*	*23,793*	*42,541*	*17,117*	*19,215*

Source: Ministry of Finance

Notes:

(1) Certain figures in this table have been revised and differ from previously published figures.

(2) Anti-COVID 19 social package expenditures.

The following table sets forth an overview of the revenues, expenditure and overall balance of the budget sector public accounts, as percentages of GDP, for the years indicated.

Overview of Government Fiscal Operations Budget Sector in Percentage Terms[1]

	2019	2020	2021	2022	2023
			(% of GDP)		
TOTAL REVENUE	**26.9**	**25.7**	**27.4**	**26.6**	**27.2**
Grants	**0.6**	**0.5**	**0.7**	**0.4**	**0.9**
Tax Revenue	**24.9**	**24.1**	**25.5**	**25.2**	**25.3**
From tax office and customs	17.8	16.8	18.1	18.2	17.8
V.A.T	7.7	7.9	8.7	8.9	8.1
Profit tax	2.1	1.7	1.9	2.2	2.7
Excise tax	2.7	2.7	2.8	2.5	2.5
Personal income tax	2.7	2.0	2.1	2.1	2.4
National taxes and others	2.1	2.2	2.3	2.1	1.7
Custom duties	0.4	0.4	0.4	0.4	0.4
Revenues from local government	1.3	1.3	1.4	1.3	1.3
Property tax (buildings)	0.3	0.3	0.3	0.3	0.3
Small business tax	0.0	0.0	0.0	0.0	0.0
Local taxes	1.0	1.0	1.1	1.0	1.1
Social insurance contributions.	5.7	5.9	5.9	5.7	6.1
Social insurance	4.9	5.0	5.1	4.9	5.3
Health insurance	0.8	0.8	0.8	0.8	0.8
Revenue for owners compensation	0.1	0.1	0.1	0.0	0.0
Non-tax revenue	1.4	1.1	1.2	1.0	1.0
Profit transferred from Bank of Albania	0.0	0.1	0.1	0.0	0.0
Budgetary institutions revenue	0.9	0.7	0.7	0.6	0.6
Dividends	0.0	0.0	0.0	0.0	0.0
Revenue from services tariffs	0.1	0.1	0.2	0.1	0.1
Other revenue	0.3	0.2	0.3	0.3	0.3
TOTAL EXPENDITURE	**28.7**	**32.4**	**31.9**	**30.3**	**28.5**
Current expenditures	**24.3**	**25.4**	**24.7**	**23.3**	**23.1**
Personnel expenditures	4.5	4.6	4.5	3.9	4.2
Wages	3.8	4.0	3.8	3.4	3.6
Social insurance contributions	0.6	0.6	0.6	0.5	0.6
Interest	2.1	2.1	1.9	1.8	2.0
Domestic	1.3	1.3	1.3	1.1	1.2
Foreign	0.7	0.7	0.7	0.7	0.8
Operational & maintenance	2.8	3.0	3.2	3.2	3.0
Subsidies	0.1	0.1	0.1	0.1	0.1
Social insurance outlays	10.3	10.8	10.7	10.1	9.6
Social insurance	7.7	8.1	7.9	7.6	7.2
Health insurance	2.5	2.6	2.6	2.4	2.3
Compensation in value to owners	0.1	0.1	0.1	0.1	0.1
Local budget	3.3	3.1	2.8	2.7	2.9
Other expenditures	1.4	1.7	1.6	1.4	1.3
Unemployment insurance benefits	0.0	0.1	0.1	0.0	0.0
Social assistance	1.2	1.4	1.3	1.2	1.1
Compensation for the politically persecuted	0.1	0.1	0.0	0.0	0.0
Birth (new-born) bonus	0.1	0.2	0.2	0.1	0.1
Reserve fund / contingency	**0.0**	**0.7**	**0.0**	**0.0**	**0.0**
Capital expenditures	**4.4**	**6.1**	**6.9**	**5.2**	**5.0**
Domestic financing	3.0	3.6	3.9	3.0	3.7
Foreign financing	1.4	1.5	1.4	0.9	0.6
From higher education system's own revenues	0.1	0.1	0.0	0.0	0.0
Arrears	0.0	0.0	0.0	0.0	0.0
Infrastructure obligations	0.0	0.0	0.0	0.0	0.0
Tax liabilities	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Other Transfers (Net Lending)	**0.0**	**0.1**	**0.2**	**1.3**	**0.2**
Expropriation fund	0.0	0.0	0.2	0.5	0.2
OVERALL DEFICIT	**(1.8)**	**(6.7)**	**(4.6)**	**(3.6)**	**(1.3)**
Deficit Financing	**1.8**	**6.7**	**4.6**	**3.6**	**1.3**
Domestic	2.4	3.0	(1.0)	4.1	(0.3)
Privatisation receipts	0.0	0.0	0.0	0.0	0.0
Domestic borrowing	1.0	2.9	2.6	1.2	0.9
Other	1.3	0.0	(3.6)	2.9	(1.2)
Foreign	**(0.5)**	**3.7**	**5.6**	**(0.4)**	**1.6**
Long-term loan (drawings)	1.2	5.9	5.0	0.5	3.1
Change .of stat account	(0.1)	0.1	0.1	0.0	0.0
Repayments	(1.7)	(3.7)	(1.8)	(1.8)	(2.2)
Budgetary support	0.1	1.4	2.3	0.8	0.8

Source: Ministry of Finance

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Overview

Total budget sector revenues decreased in 2020, primarily due to the impact of the November 2019 Earthquake and the COVID-19 pandemic on the Albanian economy, before increasing in each of 2021, 2022 and 2023. Total budget sector tax revenues increased by 2.3% in 2019, before decreasing by 7.5% in 2020, and increasing by 19.3% in 2021, 13.8% in 2022 and 10.6% in 2023.

Principal factors in the overall growth of revenues between 2019 and 2023 have included the growth of tax revenues, including from tax offices and customs and social insurance contributions.

Total current budget sector expenditures have grown over the past five years, from ALL 416.9 billion in 2019 to ALL 547 billion in 2023. Total current budget sector expenditures increased by 4.9% in 2019, 1.1% in 2020, 9.4% in 2021, 8.4% in 2022 and 9.4% in 2023. Principal factors in the overall growth of current expenditures since 2019 include the growth of local government expenditures and social insurance outlays.

The overall fiscal deficit was ALL 31.2 billion in 2023 (1.3% of GDP), as compared to ALL 78.2 billion in 2022 (3.7% of GDP), ALL 85.3 billion in 2021 (4.6% of GDP), ALL 110.4 billion in 2020 (6.7% of GDP) and ALL 31.5 billion in 2019 (1.9% of GDP).

2023 Revenues

Total revenues and grants increased by 12.4% to ALL 643.7 billion in 2023 from ALL 572.8 billion in 2022, primarily due to an increase in excise tax revenues and social health contributions.

2023 Expenditures

Total expenditures increased by 3.7% to ALL 674.9 billion in 2023 from ALL 651.1 billion in 2022. This increase was primarily due to a 9.4% increase in current expenditures, which was, in turn, primarily due to a 20.1% increase in interests expense, an 18.6% increase in personnel expenditures, a 17.3% increase in local expenditures, a 15.5% increase in subsidies, a 4.7% increase in social insurance expense, a 2.9% increase in operational and maintenance expenditures and a 2.1% increase in other expenditures.

Subsidies

Historically, certain sectors of the economy have benefited from subsidies from the Government.

The Government's subsidy policy consists of: (i) subsidies to support loss-making strategic sectors (such as railroads and water supply); and (ii) subsidies to incentivise priority sectors through the funding of new policies, such as employment schemes.

The following table sets forth the details of the actual subsidies for 2019 to 2023 and the budgeted subsidies for 2024 and 2025.

State Subsidies[1]

	For the year ended 31 December						
	2019	**2020**	**2021**	**2022**	**2023**	**2024 Budgeted**	**2025 Budgeted**
	(ALL millions)						
Water supply and sanitation	400	300	358	360	310	350	350
Railways	400	400	400	501	490	500	500
School books and student accommodation	0	0	0	0	0	0	0
Employment scheme[2]	490	390	393	452	704	755	750
Other	200	200	270	328	308	300	350
Total	**1,490**	**1,290**	**1,421**	**1,641**	**1,812**	**1,905**	**1,950**

Source: Ministry of Finance

Notes:

(1) Support to the energy sector is generally provided through project-based financing and guarantees (including by international financial institutions) and, accordingly, subsidies are not granted to this sector.

(2) Employment subsidies target specific categories of persons, including young women, jobseekers with disabilities *etc.*

During 2023 and 2024, Albania continued implementing reforms in the water supply and sewerage sector, aligned with national strategies and EU integration objectives. In July 2023, Albania adopted the National Strategy for Water Supply and Sewerage 2023-2030, with the aim of ensuring sustainable and efficient water services, improving access to water supply infrastructure, enhancing wastewater management, and aligning with EU environmental standards. Water sector subsidies in 2022 and 2023 were ALL 360 million and ALL 310 million, respectively. Water sector subsidies for 2024 and 2025 are budgeted at ALL 350 million.

The Ministry of Infrastructure and Energy plans to approve the National Sludge Management Strategy in the last quarter of 2025, developed through the grant-funded project "Water Sector Planning for EU Negotiations", with the primary objective of building strategic and planning capacities in the water sector to implement EU standards.

Estimated subsidies in 2023 and subsidies budgeted for 2024 and 2025 have increased as compared to levels in 2022 and prior years. These subsidies are primarily focused on: (i) reforms aimed at restructuring the railway sector; and (ii) supporting priority sectors through the funding of new policies, such as the employment incentivising scheme financed through the budget.

Budget Deficits

The budget deficit in 2019 represented 1.9% of GDP, as compared to 6.7% in 2020, 4.6% in 2021, 3.7% in 2022 and 1.3% in 2023. The 2024 budget provides for a budget deficit of 2.4% of GDP with a public debt to GDP ratio of 55.4%, and the 2025 budget provides for a budget deficit of 2.6% of GDP with a public debt to GDP ratio of 54.9%, although each of these figures may be subject to revisions.

In the 2014 budget, a strategy was introduced to pay down budgetary arrears. In 2014, ALL 34 billion in arrears were paid, which amounted to 97% of the planned allocated funds (from a planned fund of ALL 35 billion). The payment of arrears increased the deficit for 2014 by the amount paid for arrears. In 2015, ALL 17.6 billion in arrears were paid. Since 2015, no arrears payment has been budgeted for. Quarterly reports regarding the arrears of budgetary institutions are published on the Ministry of Finance's website.

The following table sets forth an overview of the overall deficit and deficit financing for the periods indicated:

Overall Deficit and Deficit Financing

	As at 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(ALL millions, unless otherwise stated)				
OVERALL DEFICIT	**(31,549)**	**(110,374)**	**(85,328)**	**(78,226)**	**(31,180)**
Overall Deficit in % of GDP	**(1.9)**	**(6.7)**	**(4.6)**	**(3.7)**	**(1.3)**
Deficit Financing	**31,549**	**110,374**	**85,328**	**78,226**	**31,180**
Domestic	40,932	49,426	(18,701)	87,765	(7,324)
Privatisation Receipts	242	228	306	191	47
Domestic Borrowing	17,846	48,380	48,705	26,156	20,671
Other	22,844	818	(67,712)	61,417	(28,043)
Foreign	(9,383)	60,948	104,029	(9,539)	38,504
Long-term Loans (Drawings)	20,493	97,467	93,491	11,140	72,476
Chang. of Stat. Account	(1,729)	1,386	1,161	589	51
Repayments	(29,791)	(61,698)	(33,164)	(38,386)	(53,238)
Budgetary Support	1,643	23,793	42,541	17,117	19,215

Source: Ministry of Finance

Primary Balance

The primary balance represents total revenues less primary expenditures (*i.e.,* total expenditures excluding debt service).

In 2019, Albania recorded a primary surplus (as a percentage of GDP) of 0.2% as a result of fiscal consolidation reforms introduced. Due to the negative shocks of the November 2019 Earthquake and the COVID-19 pandemic, in each of 2020, 2021 and 2022, Albania recorded a primary deficit (as a percentage of GDP) of 4.6%, 2.7% and 1.8%, respectively. In 2023, Albania recorded a primary surplus of 0.7% of GDP.

In June 2020, the Organic Budget Law was amended to introduce a new fiscal rule requiring a positive primary balance from 2023. In July 2021, the Organic Budget Law was further amended to defer the application of this fiscal rule and requiring a positive primary balance from 2024.

The table below shows the evolution of primary balance for the years indicated.

Primary Balance

	For the year ended 31 December				
	2019	**2020**	**2021**	**2022**	**2023**
	(ALL millions, except where indicated)				
Total Revenues	460,349	425,905	510,951	572,790	643,678
Total Expenditures	491,897	536,279	596,279	651,015	674,857
Debt Service[(1)]	35,143	34,393	35,822	39,624	47,591
Primary Balance	3,594	(75,980)	(49,506)	(38,602)	16,411
Primary Balance/GDP (%)[(2)(3)]	0.2	(4.6)	(2.7)	(1.8)	0.7

Source: Ministry of Finance

Notes:
(1) Including interest payments on both foreign currency debt and domestic currency debt.
(2) See "*The Albanian Economy—Gross Domestic Product*".
(3) At current market prices.

Descriptions of Principal Budgetary Components

Tax Revenue

Taxes are the principal source of revenues for the consolidated budget. The tax system in Albania consists of three main categories of taxes: (i) direct taxes on income; (ii) social and health contributions; and (iii) indirect taxes on consumption. Taxes on personal income are the most important direct taxes. Budget revenues in Albania rely heavily on indirect taxation, namely VAT and excise duties, which accounted for 41.9% of total tax revenues in 2023 and 39.0% of total

consolidated budget revenues. In 2023, taxes on personal income accounted for 9.7% of tax revenues and revenues from social insurance contributions accounted for 24.0% of total tax revenues. Other taxes levied in Albania are corporate income tax, small business tax (local), customs duties, property tax (local), taxes on vehicles, and other local and national taxes, such as environmental taxes.

With the exception of duties levied on imports (*e.g.*, customs duties, VAT on imported goods and excise duties), which are collected by the Customs Administration, central government taxes are collected by the Tax Administration.

VAT

The standard VAT rate is 20% for both domestically produced and imported goods and services. For supplies of goods and services, the taxable value must include everything that constitutes the corresponding value that the supplier of the good or service receives or will receive from the buyer, customer or a third party, in exchange for the supply, including subsidies directly related to the price of these supplies, excluding VAT. Exports, goods in a traveler's personal luggage, international transport, supplies similar to exports, supply of gold to the Bank of Albania, intermediary service, actions related to customs and other similar regimes, supplies of goods to the sea and related services are zero-rated.

Certain exemptions to VAT apply, including the supply of postal services, medicines, medical services from private and public health institutions, private and public educational services, services by non-profit organisations, agricultural machines, veterinary services, new and unused vehicles with electric motors not previously registered for circulation in any other state, financial services, gambling, the sale of buildings, services intended only for the research phase of hydrocarbons operations and goods by the contractors for each other or subcontractors, imported according to paragraph 39, of Article 56, of the VAT Law, newspaper printing services, newspapers and magazines of any kind, advertising services by the written media, goods and services carried out by construction workers during natural disasters, gold imported by the Bank of Albania, the import of live animals for fattening, purebred live animals, as well as biological material used for artificial insemination, the import of yachts and other watercraft for tourism and entertainment purposes, the import of goods intended for the realisation of projects financed with funds received on the basis of a donation or grant agreement concluded between Albania and a foreign donor (if in the agreement it is foreseen that the funds received will not be used to pay taxes) and the import of beneficial insects.

Since June 2017, a reduced VAT rate of 6% has been applied for the supply of accommodation services, in support of tourist sector initiatives. This reduced VAT rate of 6% is also applied to businesses that develop specified activities, such are agro-tourism, "Five star Hotel/Resort, special status" accommodation structures, advertising services by audio visual media, licensed electric public transport vehicles of passengers with nine plus one seats or more and the supply of books. With effect from January 2021, this reduced rate of 6% is also applied to the service supply of construction works for state investments of sports clubs and sports federations or for investments of private entities in sports infrastructure. From January 2022, a reduced VAT rate of 10% is applied to the supply of agricultural inputs, which includes chemical fertilisers, pesticides, seeds and seedlings. Special VAT schemes also apply in certain cases, such as small enterprises, farmers, travel agencies, second hand-goods, works of art, collector's items and antiques (profit margins and auction sales), investment gold and the Albania Power Exchange.

VAT reimbursements have increased annually since 2004**.** In 2023, 49.2% of gross collected domestic VAT and 15.4% of gross total VAT was refunded.

Excise Duty

Excise duties are levied on products such as: energy products; alcohol and alcoholic beverages; tobacco and tobacco products and other products set out in the law. All excise duties are expressed in Lek per unit of product. Exemptions to excise duties apply on exports and approved customs or tax suspension regimes, as well as energy products used in mineralogical processes, dual-use energy products, fuel for fishing boats and fuel used by international aircraft for international trade and transport.

Excise duty is refundable on exports, approved suspension regimes, fuel used by producers of electricity resources of 5 MW or more for each energy resource and fuel used in the production of industrial and agro-industrial products in heated greenhouses until 31 December 2023.

From 1 January 2022, an automatic indexation of specific excise tariffs will be applied every two years for all goods (with the exception of tobacco for which specific growth is forecasted for the next five years, 2022-2026), at the official inflation rate announced by INSTAT. For petroleum gases and other gas hydrocarbons, the unified excise rate is applied (effective from 1 July 2022, an excise tax rate of ALL 6 per litre has been applied for both personal use and business purposes). From 1 January 2024, a limit to the two-year accumulated inflation rate was approved, such that this could not exceed

1.5%. In addition, with effect from January 2025, the production and distribution of fiscal stamps will be carried out by a person authorised by the Council of Ministers (Securities Printing House).

On 1 January 2023, the excise duty for a category of accumulators was removed and excise duty for beer and alcoholic beverages (Spirituous Beverages) was unified at each level of production for beer (at ALL 710 per hectolitre) and for alcoholic beverages (at ALL 84,500 per hectolitre of anhydrous alcohol).

Personal Income Tax

Personal income tax applies to all income sources of individuals, including wages, salaries, bonuses and other remunerations, income from interest payments, dividends, capital gains, intellectual property rights, the sale of immovable property, rental income and other additional minor categories.

Individual residents pay personal income tax during the taxable period for all sources of income worldwide, while non-resident individuals pay personal income tax during the taxable period for sources of income generated within the territory of Albania.

Income from wages and salaries are taxed progressively. Until the end of April 2023, individuals with an income of lower than ALL 40,000 per month, were exempt from the tax, individuals with an income between ALL 40,001 and ALL 50,000 were exempt from tax on income up to ALL 30,000 and taxed at a rate of 6.5% of the amount exceeding ALL 30,000; and individuals with a monthly employment income exceeding ALL 50,000 per month were exempt from tax on income up to ALL 30,000, and were taxed at a rate of 13% on income between ALL 30,000 and ALL 200,000 per month, plus 23% of the amount exceeding ALL 200,000.

With effect from 1 June 2023, income from wages and salaries is taxed as follows: individuals with an income of lower than ALL 50,000 per month, are exempt from the tax; individuals with an income between ALL 50,001 and ALL 60,000 are exempt from tax on income up to ALL 35,000 and taxed at a rate of 13% of the amount exceeding ALL 35,000; individuals with a monthly employment income exceeding ALL 60,001 per month are exempt from tax on income up to ALL 30,000, and are taxed at a rate of 13% on income between ALL 30,000 and ALL 200,000; plus 23% of the amount exceeding ALL 200,000.

Other personal income such as interest, royalties, rental income, income from capital gains and income from the sale of immovable property, amongst others, are taxed at a rate of 15%. Since January 2019, dividends and other profit distributions are taxed at a rate of 8%.

Corporate Income tax

All sources of income for domestic and foreign companies engaging in economic activities in Albania are subject to corporate income tax.

Foreign companies based abroad but with activities in Albania are taxed only on the basis of their Albanian operations. Albanian companies are taxed on income from within and outside the territory of Albania.

Corporate income tax applies to entities at a standard tax rate of 15%. There are certain reduced tax rates and exemptions, such as: (i) a 0% tax rate for entities with a turnover up to ALL 14 million, until 31 December 2029; (ii) a 5% tax rate for software development and production entities in the automotive industry, until 31 December 2025; (iii) a 5% tax rate for entities of agricultural cooperatives, for agritourism businesses and automotive industry, until 31 December 2029; and (iv) a ten-year exemption from corporate income tax, for certain accommodation and hotel companies in the tourism sector that have obtained a special status based on the tourism legislation and have registered for the exemption by December 2024.

Taxable income includes corporate earnings, distributed stock dividends, income from the lease and transfer of real property and interest on bank deposits and securities. There is a withholding tax of 15% on¸ among other things, royalties, interest, rent, technical services and financial services and of 8% on dividends and profit sharing. For non-Albanian residents, the withholding tax rate may be reduced by an applicable double tax treaty.

Business Income Tax

Tax is applied on personal income from businesses for commercial and self-employed individuals. The standard tax rate was 15% until the end of 2023. From 1 January 2024, a progressive tax system has been implemented where income up to ALL 14 million is taxed at a 15% tax rate, and income exceeding ALL 14 million is taxed at a 23% tax rate.

Social Contributions

Employers pay a rate of 15% on gross wages as a social contribution on behalf of employees. In addition, employees pay a rate of 9.5% on gross wages as a social contribution, resulting in a combined total social contribution of 24.5% of gross wages. Since March 2023 the tax base for social contributions is for employees who earn between ALL 40,000 and ALL 176,416 per month.

Self-employed persons pay social contributions at a rate equivalent to 23% of the monthly minimum gross wage of ALL 40,000.

Health Insurance Contributions

Employers pay a rate of 1.7% on gross wages as health insurance contributions on behalf of employees, which is matched by employees, resulting in a combined total health insurance contribution of 3.4% of gross wages.

Self-employed persons pay health insurance contributions of 3.4% of the twice monthly minimum gross wage of ALL 80,000.

National taxes and tariffs

National taxes include road circulation tax, carbon tax, annual used vehicle tax, port tax, royalty tax, stamp tax, tax on plastic materials and packaging, tax for fishing activities, tax on transactions of used motor vehicles, tax on insurance written premiums (excluding premiums for life, healthcare and travel insurance), tax on initial vehicle registration and an annual tax on luxury vehicles, tax on the right of use of state land in use.

Expenditures

Special Funds

While Albania's public finance system does not include extra-budgetary funds, the Organic Budget Law includes a concept of special funds, which are consolidated in the budget. A special fund has its own revenues and expenditures, but is not self-funding. Local government special funds are proposed to the Minister of Finance by the council of the relevant local government.

There are three such specific funds: the Social Insurance Fund, the Healthcare Fund and the Property Compensation Fund.

Since 2020, a reserve/contingency fund has been used to support COVID-19 measures in compliance with provisions of the Organic Budget Law relating to the use of the Council of Ministers reserve fund. In 2020, the funds allocated from the reserve/contingency to cover the costs of anti-COVID-19 measures were ALL 14.1 billion. In 2021, the funds allocated from the reserve/contingency to purchase vaccines against COVID-19 were ALL 3.4 billion. In 2022, a reserve fund/contingency fund was also used to mitigate the effects of inflation triggered by the war in Ukraine and subsequent increases in commodity prices, with amounts allocated to such fund totalling ALL 19.9 billion. In 2023, allocations of ALL 1.4 billion were made from this reserve/contingency fund aimed at supporting the most vulnerable groups.

International Tax Agreements

Albania has signed 46 double tax treaties with other countries. In August 2019, Albania became a member country of the Organisation for Economic and Cooperative Development's Inclusive Framework on Base Erosion Profit Sharing.

In accordance with EU and OECD recommendations, Albania has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**Multilateral Instrument**"), which aims to implement tax treaty measures, update international tax rules and reduce the opportunity for tax avoidance by multinational enterprises. The Multilateral Instrument was ratified by the Assembly and entered into force in January 2021.

PUBLIC DEBT

Public debt is comprised of central Government debt and Government-guaranteed debt, both external and domestic, as well as local government domestic debt. It is the sum of (i) all financial liabilities created through borrowing by the central Government and local government (municipalities) and (ii) Government-guaranteed debt. External debt includes debt to external multilateral, external bilateral and external private creditors. Domestic debt includes debt owed to domestic creditors.

Public Debt

The following table sets out Albania's public debt broken down into domestic debt and external debt, both in millions of Lek and as a percentage of GDP, as at the dates indicated.

Total General Government Debt[1]

	As at 31 December					As at 30 September 2024[2]
	2019	2020	2021	2022	2023	
	(ALL millions)					
Central Government Debt[3]						
Securities	582,136	630,791	678,881	712,779	725,399	761,947
Loans[4]	15,154	13,297	23,375	19,875	16,379	14,473
Total Domestic Debt	**597,290**	**644,088**	**702,256**	**732,654**	**741,778**	**776,420**
Securities	91,328	142,255	217,368	205,614	235,466	223,883
Loans	423,427	437,695	463,001	440,154	385,483	349,403
Total External Debt[5]	**514,754**	**579,950**	**680,369**	**645,768**	**620,949**	**573,286**
Total Central Government Debt[3]	**1,112,044**	**1,224,038**	**1,382,625**	**1,378,421**	**1,362,727**	**1,349,706**
Local Government Debt						
Securities	—	—	—	—	—	—
Loans	582	432	315	204	101	37
Total Local Government Debt	**582**	**432**	**315**	**204**	101	**37**
Total Public Debt	**1,112,626**	**1,224,470**	**1,382,940**	**1,378,623**	**1,362,828**	**1,349,743**
GDP	1,691,903	1,647,431	1,856,172	2,134,464	2,369,906	2,434,300
	(% of GDP)					
Public Debt	**65**	**74**	**74**	**64**	**58**	**55**
Central Government Debt	**65**	**74**	**74**	**65**	**58**	**55**
Domestic Debt	35	39	38	34	31	32
External Debt	30	35	36	30	26	24
Local Government Debt	**0**	**0**	**0**	**0**	**0**	**0**

Source: Ministry of Finance

Notes:

(1) Certain figures in this table have been revised and differ from previously published figures.
(2) Preliminary data.
(3) Includes central Government and central Governmental guaranteed debt.
(4) Includes only domestic guarantees.
(5) Representing external debt in Lek terms. See "–*External Debt*" for details of external debt presented in Euro terms.

As at 30 September 2024 (according to preliminary figures), Albania's total public debt was ALL 1,349,743 million, as compared to ALL 1,362,828 million as at 31 December 2023, representing a decrease of 1.0%. Albania's total domestic debt (excluding local government debt) as at 30 September 2024 was ALL 776,420 million, as compared to ALL 741,778 million as at 31 December 2023, representing an increase of 4.7%. This increase was due to the increased demand in the domestic market for longer-term treasury securities. Albania's total external debt as at 30 September 2024 was ALL 573,286 million, as compared to ALL 620,949 million as at 31 December 2023, representing a decrease of 7.7%. When presented in Euro terms, Albania's external debt decreased to €5,804.3 million as at 30 September 2024, as compared to €5,977.6 million as at 31 December 2023. See "*—External Debt*". Albania's total public debt decreased to an estimated 55.5% of GDP as at 30 September 2024, as compared to 57.5% of GDP as at 31 December 2023. Albania's domestic debt increased to an estimated 31.9% of GDP as at 30 September 2024 (as compared to 31.3% of GDP as at 31 December 2023) and Albania's external debt decreased to an estimated 23.6% of GDP as at 30 September 2024 (as compared to 26.2% of GDP as at 31 December 2023).

The average cost of public debt was at 4.1% as at 31 December 2024, as compared to 3.5% as at 31 December 2023, 2.9% as at 31 December 2022, 2.9% as at 31 December 2021, 3.1% as at 31 December 2020 and 3.2% as at 31 December 2019. While efforts have been made to maintain low debt costs, the average cost of public debt is expected to increase as at 31 December 2024 (budgeted to be 4.4%), as compared to as at 31 December 2023, as a result of an increase in interest expense resulting from the refinancing of maturing debt with debt bearing higher interest in a global higher interest rate environment.

Debt Management Policy

The Ministry of Finance prepares the medium-term debt management strategy for the evaluation and management of Albania's debt portfolio (the "**Debt Management Strategy**"). The Debt Management Strategy is updated in line with the provisions of the debt law, annual budget law, the Government's wider macro fiscal framework and the medium term monetary policies implemented by the Bank of Albania and in circumstances where it is estimated that the conditions of the domestic and external markets and macroeconomic and fiscal indicators have changed as a result of extraordinary events or circumstances, such as catastrophes or natural disasters, war and financial crises, as well as events that result in changes to fiscal principles and debt sustainability rules.

The most recently adopted Debt Management Strategy is the Medium-Term Debt Management Strategy 2022-2026, which covers a five year period and was approved by the Council of Ministers in July 2022. This strategy sets updated risk management targets and is focused on further developing the Government's debt management operations and, in particular, reducing risk exposure in the debt portfolio, which is expected to contribute to reducing risk premiums, thereby lowering the cost of debt servicing. In the medium term, the Medium-Term Debt Management Strategy 2022-2026 focuses on two key objectives: (i) optimising long-term debt costs, while maintaining acceptable levels of risk exposure; and (ii) improving and sustaining primary market efficiency, supported by further development of the secondary market.

Key features and objectives of the Medium-Term Debt Management Strategy 2022-2026 include:

- *Reducing the cap on the ratio of public debt denominated in foreign currencies from 55% of total public debt to 50%.* As at 30 September 2024, the ratio of public debt denominated in foreign currencies was 42.0% of total public debt, as compared to 45.6% as at 31 December 2023, 46.8% as at 31 December 2022, 49.8% as at 31 December 2021, 47.4% as at 31 December 2020 and 45.6% as at 31 December 2019.

- *Extending the overall maturity of the debt portfolio*. As at 30 September 2024, the weighted average maturity of Albania's domestic debt was 928 days, as compared to 835 days as at 31 December 2023, 780 days as at 31 December 2022, 793 days as at 31 December 2021, 783 days as at 31 December 2020 and 787 days as at 31 December 2019. The increased average maturity as at 30 September 2024, as compared to prior periods, was due to increased issuances of medium and long term instruments.

- *Preparing and publishing an annual borrowing plan in order to provide greater transparency and predictability for investors.* An annual borrowing plan for 2025 was prepared and published on 16 December 2024. The maturity profile and expected level of financing to be obtained in 2025 were taken into consideration during the preparation of the annual borrowing plan for 2025.

- *Diversifying the investor base and development of the Government Securities Market*, which is expected to be achieved through increased communication with market participants and a more efficient and effective implementation of the market maker programme (initially introduced with technical assistance from the World Bank). The Government is also considering the use of other alternative financing instruments such as Green Bonds, Social Bonds, Sustainability Bonds and Sustainability-Linked Bonds.

The public debt to GDP ratio increased in recent years from 65.0% as at 31 December 2019 to 73.9% as at 31 December 2020 and 74.1% as at 31 December 2021, before decreasing to 64.1% of GDP as at 31 December 2022, 57.5% of GDP as at 31 December 2023 and 55.4% of GDP as at 30 September 2024. The overall increase in the public debt to GDP ratio in 2020 and 2021 was primarily due to increased Government borrowing and the contraction of GDP due to increased financing needs following the November 2019 Earthquake, the COVID-19 pandemic, and the need to stimulate economic recovery after the recession in 2020. The decrease in the public debt to GDP ratio in each of 2022 and 2023 was primarily due to a higher increase in GDP than in net borrowing, partly due to the exchange rate applied to public debt denominated in foreign currencies. The continued decrease in the public debt to GDP ratio in the nine months ended 30 September 2024 was influenced by the effect of the exchange rate, as well as higher external debt principal payments than disbursements.

In 2016, Albania's Organic Budget Law was amended to introduce a requirement to target lower public debt each year (subject to certain exceptions) and for independent GDP estimates to be used in budget preparation. The amendments to the Organic Budget Law also require contingency funds to be maintained in order to manage potential risks arising from fluctuations in interest rates and foreign exchange rates. See "*Public Finance—Fiscal Policies and Budget Performance*". This target was not met in 2020 and 2021 due to the exceptional impact of COVID-19 on the Albanian economy but has been met in subsequent periods. The Government aims to continue the declining trend in the debt to GDP ratio.

Albania has historically relied on domestic and foreign borrowing (primarily from multilateral financial institutions) as its main sources of funding. Domestic borrowing forms the main constituent of Government borrowing, with short-term securities primarily used to refinance existing securities and for liquidity management purposes, while long-term securities are used to cover the budget deficit. However, in 2022, there was an increase in demand for short-term bonds as a result of interest rate rises implemented by the Bank of Albania (and concurrently with rises implemented by the ECB). Accordingly, for liquidity purposes, any new debt in the domestic market was financed entirely through short-term instruments. In 2023, demand for medium- and long-term instruments increased, with net borrowing financed entirely through long-term instruments, while short-term instruments matured. External commercial borrowing, including international bank debt, provides an important complementary source of funding for the Government. Multilateral and bilateral external borrowing are the main sources of finance for new and existing priority Government projects. See "*—Multilateral Financial Institutions*". Albania has also accessed the international capital markets through six Eurobond issuances, in 2010, 2015, 2018, 2020, 2021 and 2023.

The majority of Albania's external debt is denominated in Euros. The portion of Albania's external debt denominated in Euros has increased, increasing from 60.2% of external debt as at 31 December 2019 to 78.3% as at 30 September 2024. Maintaining a significant portion of Albania's external debt as debt denominated in Euros is consistent with the Debt Management Strategy, as Euro-denominated debt often provides financing sources with more favourable terms than Lek-denominated debt and reduces the pressure on the domestic market. The orientation of external debt borrowing primarily towards Euro-denominated borrowings, where possible, is also in compliance with Albania's trade activity with EU member countries, and its objective of joining the EU.

In each annual budget, the Assembly sets a net borrowing limit for the relevant year. The net borrowing limit for 2025 in the 2025 budget is ALL 58.2 billion and the net borrowing limit for 2024 in the 2024 budget was ALL 34.5 billion, as compared to ALL 59.5 billion of actual borrowing in 2023, ALL 16.2 billion of actual borrowing in 2022, ALL 151.8 billion of actual borrowing in 2021, ALL 108.2 billion of actual borrowing in 2020 and ALL 9.6 billion of actual borrowing in 2019. The increase in actual borrowing in 2023, as compared to 2022 was primarily due to the Government accessing the international markets through a Eurobond issuance in the amount of €600 million in 2023. With the Assembly's approval, the Ministry of Finance may exceed the borrowing limit if the limit is breached due to currency exchange rate fluctuations. In addition, the Assembly may authorise the Government to exceed the borrowing limit on an emergency basis.

Domestic Debt

Domestic debt includes debt owed to domestic creditors. It is comprised of: (i) central Government securities issued to finance the budget deficit; and (ii) central Government guarantees issued to domestic creditors (i) for loans extended primarily to state-owned enterprises ("**SOEs**") (at present, limited to two energy sector companies); and (ii) to support businesses affected by the Covid-19 pandemic.

In 2022, Government issued a third sovereign guarantee in response to the inflationary impact of the Russian-Ukraine War and the related increase in price of commodities, which was aimed at stimulating lending to enable the entities that wholesale basic food products the necessary financing to maintain reserves for a three-month period. Under this scheme the Ministry of Finance undertook to guarantee up to 60% of the principal.

In 2024, the Government issued a fourth sovereign guarantee aimed at stimulating lending by commercial banks operating in Albania, to enable manufacturing industry entities to invest in this sector and to increase availability liquidity for the purchase of raw materials.

As at 30 September 2024, domestic debt was ALL 776.4 billion (representing 57.5% of total public debt), as compared to ALL 741.9 billion (representing 54.4% of total public debt) as at 31 December 2023, ALL 732.7 billion as at 31 December 2022, ALL 702.3 billion as at 31 December 2021, ALL 644.1 billion as at 31 December 2020 and ALL 597.3 billion as at 31 December 2019. Treasury bills and bonds are issued through public auctions and purchased principally by the banking sector in Albania. Treasury bills are short-term instruments, with maturities of up to one year (of which the Government currently offers instruments with maturities of three months, six months and 12 months), and treasury bonds are long-term instruments, with maturities of more than one year (of which the Government currently offers instruments with maturities of two years, three years, five years, seven years, ten years and 15 years).

In recent years, the Ministry of Finance has undertaken several initiatives aimed at reducing the fragmentation of investor demand for Government securities and creating benchmark sizes for long-term securities issuances (including through decreasing the frequency of issuances and re-opening series of existing securities). Since 2017, the Government has been working with the World Bank to develop further measures aimed at diversifying and developing the investor base for domestic Government securities. As part of such efforts, in June 2018, the Ministry of Finance entered into an agreement with five "market-maker" banks to conduct a pilot project to test the preparedness of the Albanian market for further development of the primary market and establishment of a secondary market for Government securities, as well as to identify impediments and related solutions to the development of such markets. This project began with the issuance of a five-year benchmark bond with subscription through the market making banks and was expanded to include three-year benchmark bonds in February 2019. Following the initial success of this pilot programme, with effect from January 2019, the market-maker programme was made permanent. In total, there are six banks that are market makers. To further develop the benchmark bond market, Raiffeisen Bank joined the programme in July 2024 for a one-year trial period, with the same rights and obligations as the other market makers.

As at 30 September 2024, ALL 68.4 billion in three-year reference benchmark bonds and ALL 126.5 billion in five-year reference benchmark bonds remained outstanding in the primary market. Secondary market activity remains at a low level, as compared with issuances of reference instruments in the primary market. Total trading in the secondary market for benchmark bonds during the nine months ended 30 September 2024 was approximately ALL 8.4 billion.

The following table sets forth details of the instruments offered by the Ministry of Finance through auctions in the periods indicated.

Instruments Offered through Auctions[1]

	For the year ended 31 December					For the nine months ended 30 September
	2019	2020	2021	2022	2023	2024
	(ALL millions)					
Offered by Ministry of Finance	308,600	364,163	343,000	406,491	380,500	324,600
Requested	398,392	470,711	463,248	445,656	549,453	403,622
Difference	89,792	106,547	120,248	39,165	168,953	79,022
Bid/Cover	1.29	1.29	1.35	1.10	1.44	1.24

Source: Ministry of Finance

Note:
(1) Certain figures in this table have been revised and differ from previously published figures.

As at 30 September 2024, 26.8% of Albania's total central government domestic debt was comprised of short-term treasury bills, as compared to 29.4% as at 31 December 2023, 33.2% as at 31 December 2022, 29.8% as at 31 December 2021, 31.8% as at 31 December 2020 and 33.3% as at 31 December 2019. Treasury bonds, as a percentage of total central government domestic debt, had been increasing year-on-year, from 66.7% as at 31 December 2019, to 68.2% as at 31 December 2020 and to 70.2% as at 31 December 2021, in line with the Debt Management Strategy's aim of reducing refinancing risk. In 2022, the share of treasury bonds as a percentage of total domestic debt decreased to 66.3%, as a result of increased demand for short-term bonds, before increasing again in 2023 and the nine months ended 30 September 2024 to 70.6% and 73.2%, respectively. Since September 2016, treasury bonds are issued with only fixed interest rates in order to avoid demand fragmentation and to reduce interest rate risk. Ten-year bonds were first issued in 2013, and their share of total domestic debt has increased from 13.7% of Albania's domestic debt as at 31 December 2019 to 16.7% as at 30 September 2024. Fifteen-year treasury bonds were first issued in 2021 and, as at 30 September 2024, represented 2.3% of total domestic debt.

The following table sets forth a breakdown of Albania's domestic debt, by maturity, as at the dates indicated.

Domestic Debt

	As at 31 December					As at 30 September
	2019	2020	2021	2022	2023	2024
	(ALL millions)					
Central government debt	**582,136**	**630,791**	**678,881**	**706,760**	**725,399**	**761,947**
Short-term debt	193,739	200,437	202,112	234,470	213,533	203,881
Long-term debt	388,396	430,355	476,769	472,290	511,866	558,067
Central government guaranteed debt	**15,154**	**13,297**	**23,375**	**19,875**	**16,379**	**14,473**
Foreign Exchange Reserves Revaluation	—	—	—	**6,020**	—	—
Total domestic debt ((I) + (II))	**597,290**	**644,088**	**702,256**	**732,654**	**741,778**	**776,420**

Source: Ministry of Finance

The table below sets forth the composition of central Government domestic debt, by instrument, as at the dates indicated.

Central Government Domestic Debt by Instrument Type

	As at 31 December										As at 30 September 2024	
	2019		2020		2021		2022		2023			
	(ALL millions)	*(% of total)*	*(ALL millions)*	*(% of total)*	*(ALL millions)*	*(% of total)*	*(ALL millions)*	*(% of total)*	*(ALL millions)*	*(% of total)*	*(ALL millions)*	*(% of total)*
3M Bills ...	0.0	0.0	1,498	0.2	2,644	0.4	2,978	0.4	—	—	—	—
6M Bills ...	354	0.1	1,901	0.3	2,717	0.4	5,809	0.8	993	0.1	957	0.1
12M Bills .	193,385	33.2	197,038	31.2	196,750	29.0	225,682	31.7	212,540	29.3	202,924	26.6
Total short-term debt.	**193,739**	**33.3**	**200,437**	**31.8**	**202,112**	**29.8**	**234,470**	**32.9**	**213,533**	**29.4**	**203,881**	**26.8**
2Y Bonds .	86,791	14.9	97,455	15.4	101,932	15.0	96,203	13.5	96,268	13.3	108,784	14.3
3Y Bonds .	26,201	4.5	43,358	6.9	59,858	8.8	57,376	8.0	67,853	9.4	68,672	9.0
5Y Bonds .	107,569	18.5	112,837	17.9	117,754	17.3	105,003	14.7	114,294	15.8	126,965	16.7
7Y Bonds .	88,306	15.2	83,675	13.3	84,728	12.5	85,931	12.1	96,277	13.3	108,546	14.2
10Y Bonds	79,530	13.7	93,029	14.7	111,347	16.4	121,392	17.0	125,244	17.3	127,430	16.7
15Y Bonds	—	—	—	—	1,150	0.2	6,385	0.9	11,930	1.6	17,671	2.3
Total long-term debt.	**388,396**	**66.7**	**430,355**	**68.2**	**476,769**	**70.2**	**472,290**	**66.3**	**511,866**	**70.6**	**558,067**	**73.2**
Foreign Exchange Reserves Revaluation	—	—	—	—	—	—	**6,020**	**0.8**	—	—	—	—
Total domestic debt.....	**582,136**	**100.0**	**630,791**	**100.0**	**678,881**	**100.0**	**712,779**	**100.0**	**725,399**	**100.0**	**761,947**	**100.0**

Source: Ministry of Finance

The following table sets forth the weighted average original yield (at issuance) of Lek-denominated Government securities as at the dates indicated.

Weighted Average Yield at Issuance of Lek-Denominated Government Securities

	As at 31 December					As at 30 September
	2019	2020	2021	2022	2023	2024
			(%)			
Treasury Bills	**1.56**	**1.82**	**1.73**	**3.15**	**3.76**	**3.47**
3 months	—	1.10	1.07	1.84	2.93	3.07
6 months	1.03	1.56	1.44	2.72	3.48	3.24
12 months	1.57	1.86	1.78	3.23	3.80	3.48
Bonds	**2.88**	**3.24**	**3.25**	**4.41**	**5.18**	**5.13**
2 years	1.97	2.22	2.26	3.21	4.32	4.06
3 years	2.24	2.69	2.69	3.72	4.71	4.50
5 years	3.28	3.99	3.62	4.48	5.07	5.16
7 years	3.93	4.20	3.98	5.70	5.34	5.66
10 years	5.40	5.20	5.01	5.55	6.44	6.40
15 years	—	—	5.88	6.85	6.96	7.39

Source: Ministry of Finance

External Debt

As at 30 September 2024, Albania's external debt, in Euro terms, was €5,804.3 million (representing 42.5% of total public debt), as compared to €5,977.6 million (representing 45.6% of total public debt) as at 31 December 2023, €5,653 million (representing 46.8% of total public debt) as at 31 December 2022, €5,634 million (representing 49.2% of total public debt) as at 31 December 2021, €4,688 million (representing 47.4% of total public debt) as at 31 December 2020 and €4,227 million (representing 46.3% of total public debt) as at 31 December 2019.

The increase in external debt between 31 December 2019 and 30 September 2024 was primarily due to increased funding from private creditors, which increased from €1,054.2 million (ALL 128.4 billion) as at 31 December 2019 to €2,466.7 million (ALL 243.6 billion) as at 30 September 2024, primarily as a result of an increase in Government-issued Eurobonds reflecting the borrowing policies adopted in recent years aimed at reducing borrowing pressure in the domestic market to facilitate the restructuring of domestic debt and stimulate lending to the private sector. External debt stock from multilateral financial institutions decreased from €2,426.3 million (ALL 295.5 billion) as at 31 December 2019 to €2,382.0 million (ALL 235.3 billion) as at 30 September 2024. External debt stock from bilateral institutions increased from €739.1 million (ALL 90 billion) as at 31 December 2019 to €955.6 million (ALL 94.4 billion) as at 30 September 2024.

When presented in Lek, Albania's external debt (excluding local government debt) has increased from ALL 514.8 billion as at 31 December 2019 (representing 46.3% of total public debt), to ALL 573.3 billion as at 30 September 2024 (representing 42.5% of total public debt).

The proceeds from external borrowing are used for project financing and budget support. Project financing covers projects in different economic sectors, such as transport, energy, water supply and healthcare. The proceeds of budget support loans are used to finance the budget deficit and are not linked to any specific project.

The majority of Albania's external debt, 78.3% as at 30 September 2024, is denominated in Euros. A substantial portion consists of loans from the International Development Association (the "**IDA**"), an agency of the World Bank and the IMF, which are denominated in SDRs. Overall, 8.4% of Albania's total external debt as at 30 September 2024 was denominated in SDRs. Most of the remaining external debt (10.0% as at 30 September 2024) is denominated in U.S. Dollars.

The following table sets forth Albania's total external debt, by currency, as at the dates indicated.

Denomination of External Debt by Currency

	As at 31 December										As at 30 September 2024	
	2019		2020		2021		2022		2022			
	(€ millions)	*(%)*	*(€ millions)*	*(%)*	*(€ millions)*	*(%)*	*(€ millions)*	*(%)*	*(€ millions)*	*(%)*	*(€ millions)*	*(%)*
ACU ..	54	1.3	45	1.0	40	0.9	34	0.6	27	0.5	24	0.4
AED ..	61	1.4	49	1.0	45	1.0	39	0.7	29	0.5	23	0.4
EUR...	2,546	60.2	3,037	64.8	3,922	64.5	4,015	71.0	4,554	76.2	4,542	78.3
JPY....	80	1.9	72	1.5	64	1.4	55	1.0	45	0.8	42	0.7
KWD .	32	0.8	43	0.9	57	1.2	67	1.2	62	1.0	59	1.0
KRW .	17	0.4	15	0.3	14	0.3	13	0.2	11	0.2	10	0.2
SAR...	26	0.6	23	0.5	23	0.5	23	0.4	24	0.4	36	0.6
SDR...	902	21.3	947	20.2	896	18.8	797	14.1	630	10.5	486	8.4
USD...	508	12.0	458	9.8	571	11.5	610	10.8	596	10.0	581	10.0
Total..	**4,227**	**100.0**	**4,688**	**100.0**	**5,634**	**100.0**	**5,653**	**100.0**	**5,978**	**100.0**	**5,804**	**100.0**

Source: Ministry of Finance

As at 30 September 2024, 23.4% of Albania's external debt was on concessional terms, including lower than market rates (from 0-3%) and with long-term tenors (over 20 years on average), as such debt was provided by international financial institutions and bilateral creditors for development support. Albania's rescheduled debt, which was originally incurred prior to 1992 by previous Communist governments and then rescheduled, was entirely on concessional terms and was fully paid-up in 2021. The level of Albania's concessional external debt, however, has reduced as Albania's economy has developed. Since July 2010, the World Bank has classified Albania as an upper middle income country, reducing its ability to obtain concessionary funding from the World Bank and the IMF. This change, together with an increase in commercial foreign borrowing in recent years with floating rate interest rates, has contributed to an increase in non-concessional floating rate debt, as a percentage of total external debt. The portion of Albania's external debt granted on concessional terms has decreased since 2018, primarily reflecting disbursements under arrangements with the IMF and other budgetary support prior to 2018. . See "*—Multilateral Financial Institutions—International Monetary Fund*".

The following table sets forth Albania's total external debt, by creditor, as at the dates indicated.

External Debt by Creditor[1]

	As at 31 December					As at 30 September
	2019	2020	2021	2022	2023	2024
	(ALL millions)					
Multilateral[2]	**295,455**	**313,303**	**332,647**	**313,620**	**269,807**	**235,269**
CEB	12,345	11,666	10,027	15,199	12,701	10,603
EBRD	20,832	31,371	28,907	30,388	25,316	22,716
EC	438	223	21,737	20,561	18,698	17,779
EIB	19,341	19,792	17,770	14,635	11,962	10,110
IBRD	79,509	85,238	96,332	93,861	94,731	89,494
IDA	64,901	57,687	53,920	46,324	36,657	31,949
IDB	47,141	42,736	44,632	43,315	37,367	33,546
IFAD	3,310	3,019	2,913	2,606	2,148	1,931
OPEC	5,977	5,088	5,051	4,674	3,616	2,984
IMF	41,661	56,484	51,359	42,057	26,612	14,156
Bilateral	**90,005**	**89,492**	**99,681**	**100,451**	**94,623**	**94,381**
Germany	25,536	26,421	38,272	35,380	31,478	35,121
Greece	167	139	105	71	38	16
Austria	6,265	5,905	5,224	4,245	3,242	2,740
Italy	30,462	31,030	30,347	28,632	25,657	24,042
Japan	9,779	8,873	7,779	6,262	4,651	4,136
China	202	187	198	199	175	164
Kuwait	3,954	5,346	6,925	7,676	6,437	5,868
Norway	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—
Spain	967	857	862	823	684	607
South Korea	2,044	1,884	1,688	1,475	1,157	1,020
Abu Dhabi Fund	7,412	6,016	5,471	4,466	3,016	2,226
Saudi Arabia	3,217	2,835	2,811	2,654	2,476	3,596
France	—	—	—	8,567	15,613	14,845
Private Creditors	**128,367**	**176,850**	**248,041**	**231,697**	**256,519**	**243,637**
Private Creditors[3]	37,040	34,595	30,673	26,083	21,053	19,754
Eurobonds	91,328	142,255	217,368	205,614	235,466	223,883
Rescheduled Debt	**927**	**306**	—	—	—	—
Paris Club	927	306	—	—	—	—
Italy	*58*	*19*	—	—	—	—
Russia	*870*	*287*	—	—	—	—
Total (I+II+III+IV)	**514,754**	**579,950**	**680,369**	**645,768**	**620,949**	**573,286**

Source: Ministry of Finance

Notes:

(1) Includes Central Government external debt and Central Government external guaranteed debt.

(2) See "—*Multilateral Financial Institutions*"

(3) Private Creditors include Alpha Bank, London Branch, National Bank of Greece, London Branch and Deutsche Bank AG, London Branch.

The following table sets forth Albania's external debt, by category of creditor and maturity, as at the dates indicated.

External Debt by Category of Creditors and Maturity Profiles[1]

	As at 31 December										As at 30 September 2024	
	2019		2020		2021		2022		2023			
	(ALL millions)	*(%)*	*(ALL millions)*	*(%)*	*(ALL millions)*	*(%)*	*(ALL millions)*	*(%)*	*(ALL millions)*	*(%)*	*(ALL millions)*	*(%)*
Long-term Debt.....	514,754	100.0	579,950	100	680,369	100.0	645,768	100.0	620,949	100.0	573,286	100.0
Multilateral	*295,455*	*57.4*	*313,303*	*54.0*	*332,647*	*48.9*	*313,620*	*48.6*	*269,806.6*	*43.5*	*235,268.6*	*41.0*
Bilateral	*90,005*	*17.5*	*89,492*	*15.4*	*99,681*	*14.6*	*100,451*	*15.6*	*94,623.4*	*15.2*	*94,380.6*	*16.5*
Private Creditors	*128,367*	*24.9*	*176,850*	*30.5*	*248,041*	*36.5*	*231,697*	*35.9*	*256,518.8*	*41.3*	*243,636.6*	*42.5*
Rescheduled	*927*	*0.2*	*306*	*0.1*	—	—	—	—	—	—	—	—
Short-term ..	—	—	—	—	—	—	—	—	—	—	—	—
Total	**514,754**	**100.0**	**579,950**	**100.0**	**680,369**	**100.0**	**645,768**	**100.0**	**620,949**	**100.0**	**573,286**	**100.0**

Source: Ministry of Finance

Debt Service

The following table sets forth Albania's historical public debt service as at the dates indicated.

Historical Public Debt Service[1]

	As at 31 December					As at 30 September 2024
	2017	2020	2021	2022	2023	
	(ALL millions, except for ratios)					
Interest payments.....	35,143	34,393	35,822	39,624	47,591	44,722
Domestic.....	22,838	22,351	23,470	24,210	29,030	29,447
Foreign.....	12,305	12,042	12,352	15,414	18,561	15,275
GDP	1,712,037	1,655,984	1,866,674	2,149,741	2,369.906	2,434,300
Interest payments/GDP (%).....	2.05	2.08	1.92	1.84	2.01	1.84
Total debt service/GDP (%).....	**3.79**	**5.80**	**3.70**	**3.63**	**4.25**	**3.06**

Source: Ministry of Finance

The following table sets forth Albania's external debt service projections, by type of debt, for the years indicated. The projections are based on Albania's existing external debt stock as at 30 September 2024 and without taking into account the issuance of the Notes.

External Debt Service Projections for Public Debt by Type of Debt

	2024[1]	2025	2026	2027	2028-2055	Total Payments
			(ALL millions)			
Principal	**10,429**	**92,363**	**29,854**	**89,934**	**350,706**	**573,286**
Guaranteed	1,278	4,126	3,309	2,497	9,882	21,092
Floating rate	*860*	*3,094*	*2,407*	*1,719*	*6,018*	*14,097*
Fixed rate	*418*	*1,032*	*902*	*778*	*3,865*	*6,995*
Government debt	9,151	88,237	26,545	87,437	340,824	552,194
Floating rate	*5,172*	*20,897*	*15,412*	*13,239*	*126,549*	*181,269*
Fixed rate	*3,979*	*67,340*	*11,134*	*74,198*	*214,275*	370,925
Interest	**6,186**	**19,912**	**17,047**	**16,076**	**54,808**	**114,029**
Guaranteed	*329*	*683*	*518*	*405*	*731*	2,665
Floating rate	*296*	*612*	*460*	*359*	*592*	*2,320*
Fixed rate	*32*	*70*	*57*	*46*	*139*	*345*
Government debt	5,857	19,229	16,529	15,671	54,078	111,365
Floating rate	*1,850*	*7,948*	*7,197*	*6,557*	*36,697*	*60,249*
Fixed rate	*4,008*	*11,281*	*9,332*	*9,114*	*17,380*	*51,115*
Total	**16,615**	**112,275**	**46,901**	**106,010**	**405,514**	**687,315**

Source: Ministry of Finance

Note:
(1) 30 September – 31 December 2024.

The following table sets forth Albania's central Government domestic debt service projections, by type of debt, for the years indicated, based on Albania's existing domestic debt stock as at 30 September 2024.

Central Government Domestic Debt Service Projections for Public Debt by Type of Debt

	2024[1]	2025	2026	2027	2028	2029-2039	Total
			(ALL millions)				
Principal payments	**54,066**	**272,043**	**131,892**	**62,286**	**63,296**	**178,363**	**761,947**
Loans	—	—	—	—	—	—	—
Securities	54,066	272,043	131,892	62,286	63,296	178,363	761,947
Interest payments	**4,057**	**31,417**	**20,144**	**15,525**	**12,334**	**32,966**	**116,444**
Loans	—	—	—	—	—	—	—
Securities	4,057	31,417	20,144	15,525	12,334	32,966	116,444
Total	**58,124**	**303,460**	**152,037**	**77,811**	**75,631**	**211,329**	**878,391**
Loans	—	—	—	—	—	—	—
Securities	58,124	303,460	152,037	77,811	75,631	211,329	878,391

Source: Ministry of Finance

Note:
(1) 30 September – 31 December 2024.

Contingent Liabilities

The following table sets forth the contingent liabilities that arise from guarantees given by Albania as at the dates indicated.

Contingent Liabilities Arising from Guarantees

	As at 31 December					As at 30 September
	2019	2020	2021	2022	2023	2024
			(ALL millions)			
Publicly-guaranteed debt.....	41,853	48,813	54,896	52,221	41,337	35,565
Domestic guarantees.....	*15,154*	*13,297*	*23,375*	*19,875*	*16,379*	*14,473*
External guarantees.....	*26,698*	*35,516*	*31,521*	*32,346*	*24,958*	*21,092*

Source: Ministry of Finance

Prior to the outbreak of the COVID-19 pandemic in 2020, domestic guarantees were only provided in respect of KESH, reflecting the Government's support for the energy sector. See "*The Albanian Economy—Principal Sectors of the Economy—Energy—Energy Sector Reform*".

During 2018, a portion of this domestic guaranteed debt was refinanced through a guaranteed loan entered into with the EBRD (see "*—Multilateral Financial Institutions—EBRD*"). In April and May 2020, the Government issued two domestic guarantees to help support businesses during the COVID-19 pandemic. In 2022, the Government issued a domestic guarantee as part of a package of measures aimed at supporting citizens and businesses impacted by the increase in the price of commodities, as well as inflationary pressures, caused by the impact of the war in Ukraine. In 2024, the Government issued a domestic guarantee in support of the borrowing entered into by processing industry entities for investments in technology and innovation, as well as for the purchase of raw materials. As at 30 September 2024, domestic guarantees represented 40.7% of total guaranteed debt.

External guarantees issued cover different economic sectors, such as the energy, water supply and railway sectors, and have fluctuated since 2013 in line with the needs of such sectors. Currently, more than half of the guaranteed debt portfolio consists of external guarantees, while in terms of composition by sector, more than 60% of total Government guarantees relate to the energy sector. Limits on domestic and external guarantees are set out in the annual budget law and agreements providing external guarantees are subject to approval by the Assembly.

Defaults

Albania has not defaulted or delayed interest payments on any of its indebtedness since 1991. Albania did have certain indebtedness originally incurred before 1992 by previous Communist governments, which was rescheduled on concessional terms, and is now fully paid.

Credit Ratings

Albania's long-term foreign currency is rated Ba3 (outlook stable) by Moody's and BB- (outlook stable) by S&P. In March 2024, S&P upgraded Albania's long-term foreign currency credit rating noting that it had "*consistently improved its government balance sheet, despite multiple shocks in recent years*". In October 2024, Moody's upgraded Albania's long-term foreign currency credit rating, highlighting the improvement in fiscal position, driven by stable economic growth combined with a significant reduction in the fiscal deficit.

Multilateral Financial Institutions

Albania has entered into a number of loans with, and benefits from a number of grants from, multiple multilateral financial institutions. See *"—External Debt."*

European Bank for Reconstruction and Development

The EBRD is one of the largest institutional investors in Albania. Albania has been a member of the EBRD since 18 December 1991, owning 0.1% of the EBRD's shares. The EBRD has supported Albania's transition to a market economy through the financing of projects in various economic sectors, with an emphasis on energy and infrastructure projects. Since the beginning its activities in Albania, the EBRD has committed €2,201 million, and has made €1,498

million in disbursements, to 155 projects in infrastructure, energy, industry, commerce and agribusiness and financial sectors, with 59% of such funding granted to private sector projects. As at 30 November 2024, there were 65 active portfolio projects and the portfolio was valued by EBRD as €1,121 million (including undisbursed commitments).

In July 2016, the EBRD granted KESH, the state-owned electricity generation company, a €218 million loan to support its company reform and support efforts. The loan benefits from a sovereign guarantee. In 2018, a first tranche of €118 million was disbursed under the loan, which permitted the repayment of a number of short-term guaranteed loans (see "—*Contingent Liabilities*"). The second tranche of €100 million was disbursed in 2019.

In July 2016, the EBRD and the Government launched the Albania Agribusiness Support Facility. This facility is aimed at enhancing access to finance for local agribusinesses by providing direct credit lines or by sharing the risk of lending to the agribusiness sector with partner financial institutions. In 2020, the facility was extended to include support for the tourism sector, including investment incentives for tourism sector sub-borrowers. The EBRD, together with the partner banks are providing up to €180 million of financing to agribusiness and tourism entities. Six financial institutions have signed agreements to participate in the programme. The Government will make available a total of €36.0 million under the facility to cover the first losses and to provide up to 10% of investment incentives to the agribusiness loan recipients. In November 2016, the EBRD approved a €36.9 million sovereign loan for the benefit of Albanian Railways. This loan is aimed at financing the rehabilitation of the railway line between the cities of Tirana and Durrës (with a length of approximately 34.2 km) and the construction of a new 5 km-long railway line connecting the Tirana-Durrës line with Tirana International Airport. In May 2018, the EBRD announced the availability of an additional €35.5 million from the Western Balkans Investment Framework to complement the EBRD loan. The EBRD loan and the Western Balkans Investment Framework grant became effective in December 2020, and the first disbursement took place in August 2021.

In February 2020, the EBRD signed a U.S.$50 million sovereign loan for the benefit of the Albanian Development Fund to finance the rehabilitation of key regional and local roads in Albania. The project is part of a larger investment programme targeting the rehabilitation of Albania's regional and local road network, which is in parallel financed by a loan from the World Bank. The loan is comprised of two tranches: (i) a U.S.$40 million tranche; and (ii) a U.S.$10 million tranche, each of which is being disbursed. The project has been extended until December 2027.

In October 2020, the EBRD signed a €60 million loan for the benefit of the Albanian Development Fund to support the tourism sector and general municipal and transport infrastructure (the "**AITP**"). Tourism-enabling infrastructure investments are planned to be carried out in the regions of Berat, Korca, Fier and Shkoder, whereas the general municipal and transport infrastructure investments will be made across the entire country. The AITP will be co-financed via a €40 million grant received from the EU that will be used, among other purposes, for the rehabilitation of cultural and natural heritage sites. In June 2023, the EBRD reported that close to 100km of local and regional road were under construction.

In June 2021, the EBRD signed a €100 million stand-by credit line to Albanian Deposit Insurance Agency aimed at strengthening the stability of the local banking sector and boosting customer confidence. The credit line is guaranteed by the Government.

In September 2021, the EBRD signed a €70 million sovereign-guaranteed loan, which consisted of a €55 million tranche for emergency liquidity to mitigate the impact of COVID-19 and a €15 million tranche to fund the construction of a new substation in Tirana. The liquidity tranche was used to finance salaries and the acquisition of renewable electricity produced in Albania, but not electricity imports. This first tranche was fully disbursed in 2022, while the second tranche was committed in December 2022 and began disbursing in June 2024.

In August 2022, the EBRD approved a loan of up to €62.9 million to the Republic for the benefit of HSH Albanian Railways, the Albanian railway operator, for the rehabilitation of the Vora–Hani Hotit railway line. See "*The Albanian Economy—Principal Sectors of the Economy—Transport and Infrastructure—Roads"*. In February 2024, the EBRD increased its support by providing a €98.8 million loan to the Government for the rehabilitation and electrification of the Vore-Hani i Hotit railway line. The total project value is estimated at €373 million and will be co-financed by the European Investment Bank and the European Union.

International Monetary Fund

Albania joined the IMF on 15 October 1991. As at 3 February 2025, Albania's quota was SDR 139.3 million, with 2,852 votes or 0.06% of the total votes of all IMF members. A member country's quota determines its maximum financial commitment to the IMF, its voting power and has a bearing on its access to IMF financing. Since Albania's membership, eight arrangements have been entered into with the IMF.

In February 2014, the IMF approved a 36-month, SDR 295.42 million (approximately €330.9 million) arrangement under the EFF for Albania in support of the Government's reform programme. The conditions under the EFF arrangement

included the implementation of Government objectives regarding economic growth, fiscal performance, inflation expectations, pension reforms, arrears clearance and prevention reforms, NPL reduction and improved financial sector supervision. In February 2017, Albania drew down the last instalment of the EFF arrangement, successfully concluding the three-year programme.

On 10 April 2020, the IMF approved financial assistance of SDR 139.3 million (approximately U.S.$190.5 million) to Albania under its rapid financing instrument scheme. The application was approved by the Council of Ministers on 23 April 2020 and was approved by the Assembly on 28 May 2020. In November 2020, the IMF completed its first post-programme monitoring with Albania in respect of the funds allocated under the rapid financing instrument noting, among other things, that Albania's capacity to repay the IMF remained adequate, although risks had arisen in light of the November 2019 Earthquake and the COVID-19 pandemic. The IMF Executive Directors commended the Government for maintaining macroeconomic and financial stability and welcomed their responses to support lives and livelihoods in respect to the November 2019 Earthquake and the COVID-19 pandemic. In May 2021, the IMF renamed "post-programme monitoring" as "post financing assessment". In each of its post financing assessments in November 2021 and November 2022, respectively, the IMF noted that Albania's capacity to repay the IMF remained adequate.

In August 2021, the IMF made a general allocation of SDRs, in proportion to existing IMF quotas, of approximately U.S.$650 billion, pursuant to which, Albania benefitted from an allocation of SDR 133.5 million (approximately U.S.$190 million) to be generally used or maintained as reserves and was issued to help countries mitigate the impact of the COVID-19 pandemic. As at the date of this Offering Circular, the allocation has not been used. If the allocation is used by Albania, in whole or in part, it will be reflected and recorded as public debt.

As at 30 September 2024, Albania had SDR 118.4 million (approximately €143.3 million) in outstanding loans to the IMF.

On 27 January 2025, the IMF Executive Board released a statement following the conclusion of its 2024 Article IV mission, reporting *inter alia* that "*The Albanian economy has turned in a strong performance in recent years, underpinned by prudent macroeconomic policies. Output is now well above its pre-pandemic trend, thanks to a booming tourism sector. Prudent fiscal policies contributed to a remarkable reduction in public debt while proactive monetary policy, falling global commodity prices, and lek appreciation have facilitated disinflation. External imbalances have shrunk considerably*."

World Bank

The World Bank started its co-operation with Albania in 1991. It has supported a number of projects aimed at alleviating poverty and providing the tools for long-term development to foster further growth. The World Bank has provided more than U.S.$2.4 billion in assistance through commitments from the IDA, the IBRD, the IFC and the Multilateral Investment Guarantee Agency ("**MIGA**"). The current loan portfolio consists of ten projects with a total commitment amount of €489.5 million in IBRD loans. Current projects include investments in the energy, water supply and sewerage, health, social assistance, environment, infrastructure, public administration, urban development and tourism and innovative consumer services sectors, regional trade and transport.

With support from the World Bank, the Government has undertaken structural reforms (in particular in the energy sector and in respect of local government consolidation and decentralisation efforts) to promote growth and improve public finance management, including the development of a liquidation and prevention strategy with respect to new arrears. The World Bank is supporting Government programmes to strengthen the financial sector and reduce vulnerability.

On 21 May 2015, the World Bank endorsed the 2015-2020 Country Partnership Framework (the "**2015 CPF**") for Albania, which set out a lending programme of up to U.S.$1.2 billion over a five-year period aimed at supporting Albania's aspirations to achieve steady growth and EU integration.

In September 2020, a Country Program Adjustment Note set out an interim strategy for the World Bank to help support the Government's main priorities and was adjusted to respond to the November 2019 Earthquake, as well as the COVID-19 pandemic. The ongoing Health System Improvement Project is expected to be restructured, and additional financing will help respond to the Government's request for hospital reconstruction in the areas affected by the November 2019 Earthquake (Laci Hospital is being reconstructed as a result of these efforts). The Emergency COVID-19 Project was approved by the World Bank's board on 30 July 2020.

On 12 May 2022, the World Bank approved a programme aimed at improving the operational and financial performance of Albania's water supply and sanitation utilities and to increase access to safe water services. The programme includes a U.S.$6.3 million grant funded by the Swiss State Secretariat for Economic Affairs ("**SECO**") and managed by the World Bank and a U.S.$75 million loan, which is part of a U.S.$135 million financing programme for the Albania National Water Supply and Sanitisation Sector Modernisation Program, that is co-financed by the Government.

In March 2023, the World Bank approved a U.S.$120 million loan to Albania under the First Resilience and Green Development project, which aims to (i) strengthen resilience of the Government sector; (ii) strengthen the energy market framework and scale up renewable energy and energy efficiency; and (iii) protect the environment and reduce the Albania's carbon footprint. Negotiations are ongoing between Albania and the World Bank in respect of a Second Resilience and Green Development project.

On 16 March 2023, the World Bank approved a new Country Partnership Framework for Albania for 2023-2027 (the "**2023-2027 CPF**"). The 2023-2027 CPF aims to support climate friendly, inclusive and resilient growth, focusing on the priorities set out in the National Strategy for Development and European Integration and findings of the World Bank. The main focuses of the strategy are: (i) decreased unemployment; (ii) strengthened human capital; and (iii) enhanced resilience to economic shocks. As at 24 October 2024, the World Bank had seven active projects with Albania and seven IBRD loans to Albania (in an aggregate principle amount of U.S.$520 million), and two grants (in an aggregate principle amount of U.S.$106 million).

In December 2023, the World Bank approved a U.S.$80 million loan to Albania for the Clean and Resilient Environment for Blue Sea Project, a project aimed at reducing pollution from land-based sources in selected areas of the South-West coast of Albania.

The Council of Europe Development Bank

The Council of Europe Development Bank (the "**CEB**") represents a major instrument of the policy of solidarity for its 41 member states, using its resources in the financing of social projects in order to help member states achieve sustainable and equitable growth. Albania has been a member of the CEB since 24 April 1999 and, as at 31 December 2024, its share in the capital of the CEB was 0.247%. The CEB has provided €219.5 million in loans in funding for investments in education, healthcare (including for the emergency response to the COVID-19 pandemic) and MSMEs sectors, as well as support for job creation, aid to refugees and migrants, and recovery from natural disasters (figures as at 30 September 2024). Albania also benefits from grant funding from the CEB's own resources and its trust funds.

In June 2021, the CEB approved a €60 million public sector financing facility to support the Government in its efforts to mitigate the effects of the COVID-19 pandemic by providing medical services, consumables, vaccines and equipment to those affected by the virus. The agreement was signed on 3 November 2021 and the loan has been fully disbursed.

On 22 March 2022, the CEB approved, and signed a disbursement notice for, a €42 million loan to Albania to assist it in its ongoing efforts to mitigate the impact of the COVID-19 pandemic. The loan aimed to partially finance the Government's extraordinary expenditures, including the cost of: (i) medical and pharmaceutical supplies; (ii) specialised equipment required for COVID-19 patients; (iii) hardship and overtime payments for medical and non-medical staff; (iv) the hiring of additional medical staff; and (v) the vaccine programme.

On 17 November 2023, the CEB approved a €27 million loan to Albania to co-finance the establishment of information and communication technology laboratories, or "Smart Labs", in more than 600 schools across Albania , benefitting approximately 150,000 children.

European Union

EU funding for projects in Albania is provided in the form of grants, contracts and budget support. The EU has provided Albania with financial assistance through a range of programmes, notably the Instrument for Pre-Accession Assistance ("**IPA**") 2014-2020, pursuant to which the EU allocated Albania funding of €639.5 million for 2014–2020, of which €323.2 million was allocated to initiatives in 2014-2017 and €316.3 million to initiatives in 2018-2020.

In November 2019, the European Commission launched IPA III programming for beneficiary countries, including Albania, and the process for preparing country strategic responses and action plans for the 2021 and 2022 IPAs continued throughout 2020 and 2021. A total amount of €105.4 million was allocated to Albania's 2020 IPA programme and the total amount for Albania's 2021 IPA programme was approximately €64.9 million.

On 15 September 2022, the Assembly ratified an agreement with the EU under a third IPA for the receipt of €600 million in funding between 2022 and 2029. On 24 March 2023, the Council of Ministers approved financing agreements between the European Commission and Albania for 2022 and 2023 under the third IPA. The 2022 programme included an EU contribution of €82.6 million to be used for environmental protection, strengthening democracy, EU alignment, fighting organised crime, strengthening the judiciary as well as supporting reforms required to meet EU standards and norms. The 2023 programme included a further €80 million to be used to support the socio-economic consequences of the energy crisis. On 26 July 2024, the European Commission decided to provide an EU contribution of €67.4 million to Albania's 2024 budget, to be used to fight against corruption, strengthen local governance and economic development, improve food safety and promote social inclusion. Albania has been allocated €100 million in total under the third IPA for 2025 to 2027, subject to program approval.

In addition, between 2018 and 2020, Albania entered into separate loan and grant agreements with Germany in an aggregate principal amount of €168.4 million, with the aim of further developing the energy and water supply sectors and to provide support for farmers and small enterprises. Albania also received further support from the EU following the November 2019 Earthquake and to help COVID-19-related measures. In November 2021, the European Commission, on behalf of the EU, disbursed €90 million in Macro-Financial Assistance to Albania. In August 2024, the European Commission approved €130 million in financing aimed at digitalisation, advancing Albania's green agenda and promoting youth employment under three 2024- 2027 operational programmes.

In 2023, the EU announced a Growth Plan to accelerate Western Balkans partners' socio-economic development and EU integration. The EU has allocated €922.1 million in favourable loans and non-repayable grants (such non-repayable grants accounting for one third of the total amount) to Albania, which will be made available when it meets the conditions it has committed to in its RA 2024-2027, prepared in connection with the EU Growth Plan, which has as its main goal "*to achieve a doubling of growth, through structural changes of the economy and its modernization in terms of technology advancement and digitization*" and includes five specific objectives: (i) enhancing national economic competitiveness and governance; (ii) transforming education to foster a skilled and digital ready workforce; (iii) building a secure, resilient, and accessible digital nation; (iv) advancing energy sustainability and market integration; and (v) enhancing rule of law and fundamental rights.

In July 2024, the EU provided grants through the WBIF of €136 million to support Albania with the reconstruction of the Vore-Hani i Hotit railway line. The EIB and the EBRD also provided Albania with loans to support with the project.
In October 2024, the EU and Albania held the second intergovernmental conference to open accession negotiations for the "fundamentals" cluster, including negotiations on the functioning of democratic institutions, public administration reform, public procurement, financial control and more

See "*The Republic of Albania—International Relations—European Union*".

European Investment Bank

Since 1995, the EIB has disbursed over €0.74 billion of loans in support of the Albanian economy (figures as at 3 February 2025), in particular, supporting infrastructure projects, such as the construction of the national road network and port infrastructure. See "*The Albanian Economy—Principal Sectors of the Economy—Transport and Infrastructure*".

The Islamic Development Bank

The Islamic Development Bank (the "**IDB**") is an international financial institution, which aims to foster the economic development and social progress of member countries and Muslim communities. Albania joined the IDB in 1993 and owns 0.02% of the IDB's total capital. In 2022, IDB extended an additional €56.8 million loan for the completion of the Qukës-Qafë Plloçë road construction project. The IDB has financed 39 projects in Albania, primarily in the transportation, agricultural, water, sanitation, and urban services sectors, as well as infrastructure projects, microfinance interventions and job creation strategies, of which 36 have been completed and three remain active, with a total amount of more than U.S.$651 million of funding approved (figures as at 3 February 2025).

The OPEC Fund for International Development

The OPEC Fund for International Development (the "**OFID**") is a development finance institution that aims to promote cooperation between member states of the Organisation of Petroleum Exporting Countries ("**OPEC**") and other developing countries. Co-operation with Albania began in 1992, with the OFID providing financial support to infrastructure projects in the agriculture, education, healthcare, transportation and water supply sectors, as well as providing direct support to private sector initiatives. As at 3 February 2025, total funding approved under the project portfolio with the OFID was U.S.$140.96 million, which has primarily been allocated to the transportation sector.

TAXATION

The following is a summary of certain income tax consequences resulting from the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Albanian tax laws to their particular situations, as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction. Such laws and regulations are subject to change or varying interpretations, possibly with retroactive effect. As with other areas of Albanian legislation, tax law and practice in Albania is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice may change or, that the law may be amended with retroactive effect. Accordingly, it is possible that payments to be made to Noteholders could become subject to taxation, or that tax rates currently in effect could be increased, in ways that cannot be anticipated as at the date of this Offering Circular.

Albanian Taxation

This section summarises the basic Albanian tax consequences of issue and redemption of the Notes for non-residents and residents of the Republic of Albania pursuant to applicable Albanian tax legislation. The following summary is included for general information only.

Non-residents of the Republic of Albania

Tax on Issue of the Notes

No stamp, registration or state duty or similar tax will be payable in the Republic of Albania upon the issue or transfer of the Notes.

Tax exemption under Law № 9665 of 18.12.2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 181/2014 of 24 December 2014, Law № 92/2022 of 22 December 2022 and Law № 29/2023 of 30 March 2023.

The Assembly has enacted Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 181/2014 of 24 December 2014 and Law № 92/2022 of 22 December 2022. Pursuant to Article 26 of this law, payments in respect of the Notes to individuals that are not resident in Albania or to non-resident entities without a permanent establishment in Albania, are exempt from Albanian income tax, Albanian value added tax and all and any other taxes in the Republic of Albania that may arise as a result of all transactions and activities in relation to the issue, management, holding and trading of the Notes. Payments in respect of the Notes to individuals that are not resident in Albania or to non-resident entities without a permanent establishment in Albania, are also exempt from Albanian income tax on the bases of Articles 18 and 58 of the Law № 29/2023 of 30 March 2023 "On Income Tax". Accordingly, there will be no withholding tax chargeable in respect of the Notes.

Gross-Up Obligation

Pursuant to Condition 8 of the Conditions, all payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Albania or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law, in circumstances where the tax exemption provision under Article 26 of the Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 181/2014 of 24 December 2014 and Law № 92/2022 of 22 December 2022, is for some reason no longer valid (*e.g.*, due to a change in legislation). In such an event, the gross-up provisions in Condition 8 of the Conditions will apply.

Residents of the Republic of Albania

Albanian resident holders of the Notes, in respect of any payments related to the issue, management, holding and trading of the Notes, can be subject to income tax and/or any other direct or indirect tax provided under the tax laws of the Republic of Albania, as applicable.

United States Federal Income Taxation The following discussion is an overview of certain U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the issue price (as defined below), hold

the Notes as capital assets and use the U.S. Dollar as their functional currency. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed U.S. Treasury Regulations thereunder, administrative and judicial interpretations, all as in effect as of the date of this Offering Circular and any of which may be repealed, revoked or modified or subject to differing interpretations, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the "IRS") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of purchasing, owning or disposing of the Notes.

This discussion is not a complete description of all U.S. federal tax consequences relating to the Notes and does not address U.S. state, local, foreign, gift, estate or other tax laws. This summary does not address aspects of U.S. federal income taxation that may be applicable to U.S. Holders that are subject to special tax rules, such as U.S. expatriates, "dual resident" companies, banks, thrifts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, a U.S. or non-U.S. partnership or other entity treated as a partnership for U.S. federal income tax purposes, grantor trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations or investors, dealers or traders in securities, commodities or currencies, traders in securities that elect to use a mark-to-market method of accounting, holders that will hold a Note as part of a position in a "straddle" or as part of a "synthetic security" or as part of a "hedging", "conversion", "integrated" or constructive sale transaction for U.S. federal income tax purposes. U.S. Holders liable for alternative minimum tax or the Medicare tax applicable to net investment income and investors holding the Notes in connection with a trade or business conducted outside of the United States, and does not address special rules for the taxable year of inclusion under Section 451(b) of the Code. Each prospective purchaser should consult its tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding, retiring or other disposition of Notes.

For the purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of the Notes that is, for purposes of U.S. federal income taxation, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any U.S. state or the District of Columbia, (iii) a trust (A) with respect to which a court within the United States is able to exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of its substantial decisions or (B) that has made a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) purchases or holds the Notes, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership that holds the Notes, such holder is urged to consult its own tax adviser regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

The "issue price" of a Note will equal the initial offering price to the public (not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money.

THE OVERVIEW OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCE TO THEM OF OWNING THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Interest

Except as set forth below, interest paid on a Note will be included in a U.S. Holder's gross income as ordinary interest income at the time it is received or accrued in accordance with the U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income on the Notes will be treated as income from sources outside the United States for U.S. federal income tax purposes, including U.S. foreign tax credit limitation purposes.

Foreign Currency Denominated Qualified Stated Interest

Except as set forth below, the amount of income realized by a U.S. Holder will be the U.S. Dollar value of any qualified stated interest (as defined below under "*Original Issue Discount*") paid on a Note in euros, including the amount of any applicable withholding tax thereon and any additional amounts paid with respect thereto, regardless of whether the euros are converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting and that receives a payment of qualified stated interest will determine such U.S. Dollar value using the spot rate of exchange on the date of

receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting may determine the U.S. Dollar value of accrued interest income using the average rate of exchange for the accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year) or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year) or on the date of receipt, if that date is within five business days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. A U.S. Holder that uses the accrual method of tax accounting will recognise U.S. source foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest, regardless of whether the payment is converted to U.S. Dollars at such time. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the Note.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("**OID**") with a term of over one year (each an **"Original Issue Discount Note**"), will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. Dollar are described below under "*—Foreign Currency Discount Notes"*.

For U.S. federal income tax purposes, a Note will be treated as issued with OID if the excess of the Note's stated redemption price at maturity over its issue price equals or exceeds a specified *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by its weighted average maturity). The "issue price" of each Note will be the first price at which a substantial amount of the Notes are sold (other than to an underwriter, broker, placement agent or wholesaler). The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate. In the case of a Note whose stated redemption price at maturity exceeds its issue price by less than the specific *de minimis* amount ("***de minimis* OID**"), a U.S. Holder of such Note will recognise capital gain with respect to any *de minimis* OID as stated principal payments on the Note are made. The amount of such gain with respect to each principal payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

U.S. Holders of Original Issue Discount Notes must, in general, include OID as ordinary income, calculated on the constant yield method, as described in this paragraph, in advance of the receipt of some or all of the related cash payments, regardless of their method of accounting. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "stated redemption price at maturity" of a Note is the sum of all amounts payable on the Note that are not payments of qualified stated interest. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. The "yield to maturity" of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods. Persons considering the purchase of Notes should consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of such Notes, including the potential application of the OID rules.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note will be determined in Euros and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "*—Foreign Currency Denominated Qualified Stated Interest.*" Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale, exchange or disposition of a Note), a U.S. Holder will recognise foreign

currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Fungible Issue

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue further securities with identical terms as the Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes. Any U.S. federal income tax considerations which apply to a separate series of additional Notes issued with OID will be described in the applicable offering circular.

Sale, Exchange, Redemption or Other Disposition of Notes

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. Dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by the amount of any payments that are not qualified stated interest payments. The U.S. Dollar cost of a Note (including a Note purchased with a foreign currency) generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale, exchange, redemption or other disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. The amount realised on a sale, exchange, redemption or other disposition for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale, exchange, redemption or other disposition or, in the case of Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such settlement date election (described in this and the preceding paragraph) by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Gain or loss recognised on the sale, exchange, redemption or other disposition of a Note (other than gain or loss that is attributable to OID or to exchange rate fluctuates) generally will be treated as capital gain or loss. A U.S. Holder will have long-term capital gain or loss if it has held the Note for more than one year at the time of such disposition. Gain or loss realised by a U.S. Holder on the sale, exchange, redemption or other disposition of the Notes generally will be U.S. source capital gain or loss. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to significant limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange, redemption or other disposition of a Note that is attributable to changes in the exchange rates will be treated as U.S. source ordinary income or loss; however, exchange gain or loss (including with respect to accrued interest) is taken into account only to the extent of total gain or loss realised on the transaction.

Sale, Exchange or Disposition of Foreign Currency

A U.S. Holder will have a tax basis in any foreign currency received as interest on a Note or on the sale, exchange, redemption or other disposition of a Note equal to its U.S. Dollar value at the time such interest is received or at the time of such sale, exchange, redemption or other disposition. Any gain or loss realised by a U.S. Holder on a sale, exchange, redemption or other disposition of foreign currency (including its exchange for U.S. Dollars or its use to purchase Notes) generally will be U.S. source ordinary income or loss.

Information Reporting and Backup Withholding

In general, payments of principal, interest on and the proceeds from the sale, exchange, redemption or other disposition of a Note payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. U.S. backup withholding tax will apply to amounts subject to reporting if the U.S. Holder fails to provide an accurate taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding or certification of exempt status, or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed

on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS. U.S. Holders of Notes should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their purchase, ownership or disposition of the Notes.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets," including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions may be subject to additional reporting obligations, if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year, or certain other requirements are met. The Notes may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder that fails to file information reports. U.S. Holders should consult their own tax advisers regarding these potential information reporting obligations.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The Commission's Proposal, however, remains subject to negotiation among participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CLEARING AND SETTLEMENT ARRANGEMENTS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Republic believes to be reliable, but neither the Republic or the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Republic or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Interests in the Unrestricted Global Certificate and the Restricted Global Certificate will be in uncertificated book-entry form ("**book-entry interests**"). The holdings of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the relevant Register to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

So long as Euroclear or Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of the Global Certificates, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Global Certificates for all purposes under the Agency Agreement. Consequently, none of the Republic, the Fiscal Agent, any other Agent or the Joint Lead Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The Republic will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg.

Clearing and Settlement Procedures

Upon their original issue, the Notes will be in global form represented by the Global Certificates. Interests in the Notes will be in uncertificated book-entry form. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

The book-entry interests will trade through participants of Euroclear or Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any book-entry funds where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

General

Neither Euroclear nor Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Republic or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Pursuant to and subject to the terms and conditions of a subscription agreement dated 14 February 2025 (the "**Subscription Agreement**") between the Republic and the Joint Lead Managers, each of the Joint Lead Managers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below:

Joint Lead Manager	**Principal amount of Notes**
Deutsche Bank Aktiengesellschaft	€162,500,000
Intesa Sanpaolo S.p.A., London Branch	€162,500,000
J.P. Morgan Securities plc	€162,500,000
Société Générale	€162,500,000
Total	**€650,000,000**

The Issuer has been informed that the Joint Lead Managers propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular within the United Sates to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to persons outside the United States in reliance upon Regulation S. See "– *United States*" and "*Transfer Restrictions*" below. The issue price at which the Notes are offered may be changed at any time without notice.

The Issuer will reimburse the Joint Lead Managers in respect of certain of their expenses, and have agreed to indemnify the Joint Lead Managers and their controlling persons against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue of the Notes.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to subscribe for Notes are subject to certain conditions precedent, including (among other things) receipt of legal opinions from legal counsel, and the Subscription Agreement may also be terminated in certain circumstances prior to payment of the issue price to the Issuer. The offering of the Notes by the Joint Lead Managers is subject to the Joint Lead Managers' right to reject any order in whole or in part.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

Allocations of the Notes to potential investors in the offering will be made in accordance with customary allocation processes and procedures following the completion of the book-building process for the offering of the Notes and will be made at the sole discretion of the Issuer.

The Notes are a new issue of securities for which there currently is no market. The Issuer cannot provide assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Lead Managers have advised the Issuer that following the completion of the offering of the Notes, they intend to make a market in the Notes. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any market or the liquidity of any market for the Notes.

In connection with the offering of the Notes, the Joint Lead Managers may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Lead Managers. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market price of the Notes, and may also cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the third Business Day following the date of pricing of the Notes (this settlement cycle being referred to as T+3). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in one New York business day, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes on any date prior to one New York business

day before delivery will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day should consult their own adviser.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Joint Lead Managers and their affiliates have performed certain investment and commercial banking or financial advisory services for the Issuer and their affiliates from time-to-time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and their affiliates in the future, for which they expect to receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Joint Lead Managers or their affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Notes may not be completed. Investors will have no rights against the Issuer or Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken to the Republic that it proposes to offer the Notes for resale (a) to persons they reasonably believe to be QIBs, within the meaning of Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) in "offshore transactions" (as defined in Rule 902(k) under the Securities Act) in accordance with Rule 903 of Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Republic of Albania

In accordance with Article 10(d) and Article 245 of Law № 62/2020 of 14 May 2020 (the "**Law on Capital Markets**") (Official Journal № 131 of 14 July 2020, page 7739), the issuance of securities by the Albanian state, which would include

the issue of the Notes by the Republic, is exempted/excluded from the application of the rules set forth in chapter III and chapter VI of the Law on Capital Markets.

In accordance with Article 12 of the Law on Capital Markets, a "reverse inquiry" shall not be considered as an activity related to the sale and distribution of the Notes. The Joint Lead Managers may, therefore, accept "reverse inquiry" offers from Albanian investors that are 'eligible counterparts' without any need for licensing or any other permission of whatever nature from the Albanian Financial Supervisory Authority (the "**Authority**").

In respect of the marketing, sale and distribution of the Notes by the Joint Lead Managers within the territory of the Republic of Albania, this may be performed subject to recognition requirements set out in Article 27 of the Law on Capital Markets to the extent that pursuant to Article 3, paragraph 87 and Article 9 of the Law on Capital Markets, the marketing and sale activities in respect of the Notes in the Republic of Albania, is considered a regulated activity with transactions in securities and as such must be carried out by entities that are licensed and/or recognised for such activities by the Authority.

Republic of Italy

The offering of the Notes has not been and will not be registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) № 2017/1129 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree № 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation № 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation № 20307 of 15 February 2018 (as amended from time-to-time) and Legislative Decree № 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time-to-time) and/or any other Italian authority.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (b) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1)(c) of the SFA – The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

Each Joint Lead Manager has represented and agreed that this Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes and the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Belgium

Each Joint Lead Manager has represented and agreed that an offering of the Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

No action has been or will be taken in any jurisdiction by the Republic or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS

As the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to "Notes" in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

By its purchase of Notes, each purchaser of Notes will be deemed to have acknowledged, represented and agreed with the Joint Lead Managers and the Issuer as follows:

1. the purchaser (a) (i) is a QIB within the meaning of Rule 144A, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A or (b) is purchasing the Notes in an offshore transaction pursuant to and in accordance with Regulation S;

2. the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws;

3. the Restricted Global Certificate and any Restricted Certificate will bear a legend to the following effect, unless the Republic determines otherwise in accordance with applicable law:

   "THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE REPUBLIC OF ALBANIA THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) TO THE REPUBLIC OF ALBANIA OR ITS AFFILIATES."

4. it understands that the Republic, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the Republic and the Joint Lead Managers;

5. if it is acquiring any Notes for the account of one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

6. it acknowledges that neither the Republic, the Joint Lead Managers nor any person representing the Republic or the Joint Lead Managers, has made any representation to it with respect to the Republic or the offer or sale of any of the Notes, other than (in the case of the Republic) the information contained in this Offering Circular, which Offering Circular has been delivered to it and upon which it is relying in making an investment decision with respect to the Notes. It acknowledges that the Joint Lead Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Albania in connection with the issue and performance of the Notes. The issue of the Notes is authorised pursuant to Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 92 of 22 December 2022.

LEI Code

The Issuer's LEI code is 254900EDM43U3SGRND29.

Listing of Notes

An application has been made to the FCA for the Notes to be admitted to the Official List and an application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on or around the Issue Date, subject only to the issue of the Notes.

The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately £7,050.

Clearing Systems

The Global Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

In respect of the Regulation S Notes, the ISIN is XS3004338557 and the common code is 300433855. In respect of the Rule 144A Notes the ISIN is XS3004338714 and the common code is 300433871.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L 1855 Luxembourg.

Legal and Arbitration Proceedings

Save as described in "*The Republic of Albania—Legal Proceedings*" and set out on pages 55-56 of this Offering Circular, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position of the Issuer.

Foreign Language

The language of the Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Websites

No websites referred to in this Offering Circular and no websites of the Government, its ministries and the Bank of Albania, nor any information on such websites form part of, or are incorporated by reference into, this Offering Circular.

No Significant Change

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2024.

Documents on Display

Copies of the following documents (together with English-language translations thereof, where applicable) will, when published, be available for inspection on the website of the Republic (http://www.financa.gov.al/eurobonde/):

(a) this Offering Circular;

(b) the Deed of Covenant;

(c) English translations of Law № 9665 of 18 December 2006 "On state borrowing, public debt and state guaranteed loans in the Republic of Albania", as amended by Law № 92 of 22 December 2022;

(d) the budget of the Issuer for the current fiscal year; and

(e) budgetary review bulletins for the last three fiscal years.

Yield

As at the Issue Date and on the basis of the issue price of the Notes, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 5.000% *per annum*. This is not an indication of future yield.

THE ISSUER

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