

## Official Statement of the Albanian Conservative Institute

### On the Governing Program 2025–2029

Tirana, September 19, 2025

The Albanian Conservative Institute (ACI) expresses its deep concern that the Government Program that will govern Albanians over the next four years was not allowed to be debated in the Parliament of the Republic of Albania, an unprecedented and unacceptable event for a candidate country for the European Union.

ACI has carefully analyzed the Government Program 2025–2029. In light of the real economic situation of the country, as we describe in our study “The Economic Model of Albania” (September 2025), and in light of forecasts from independent institutions (Raiffeisen Research, European Commission, World Bank, OECD), we conclude that the Socialist Party’s Program is a collection of promises without sufficient productive and fiscal foundations and without a vision for the sustainable development of the country that will worsen the situation and the depopulation crisis.

#### 1) Brief Summary of the Economic Situation and Key Facts

- Albania’s economy is showing structural weaknesses: industrial production declined by **7.73% in 2024** and **5.7% in Q1 2025**, agriculture declined by **2.70% in 2024** and **2.8% in Q1 2025**, and productivity dropped on average by **–1.2% (2023–2025)**. These figures are summarized and analyzed in our study ([Albanian Conservative Institute](#)).
- The Albanian economy now grows mainly as a result of **increased government spending** (public administration alone expanded by 19% in Q1 2025), **services** (primarily tourism, contributing +2.1% in Q1 2025), and **construction** (real estate contributed +8% in Q1 2025), where, unfortunately, almost all illegal financial flows are channeled (approximately EUR 700 million annually laundered in the sector, with only 20% of financing coming from banks).
- The **average gross monthly real wage** in Q2 2025 was **16.3% lower** than the nominal gross wage, reflecting the impact of inflation on citizens’ purchasing power.
- **Macro forecasts** for national growth are lower than earlier expectations: The **European Commission** projects GDP growth of ~3.5–3.6% in 2025, the **World Bank** cut its forecast to ~3.2% for 2025, with a further slowdown in 2026, **Raiffeisen Research** reports a lower than expected forecast of 3.5%, making the government’s expectation of ~4% annual growth difficult to achieve.
- Since 2014, more than **1.1 million Albanians** have emigrated (legally and illegally), according to EUROSTAT. **Birth rates are the lowest in Europe**, with several years where deaths exceeded births. No economic, educational, healthcare, or urban development program can ignore this essential national crisis.
- The economy is distorted by informal/illegal financial flows: **Drug trade proceeds** account for ~20% of GDP, largely funneled into real estate (EUR 300–700 million laundered annually through construction), the **trade deficit in goods** stands at –25.3% of GDP (2025), the **informal economy**

is estimated at 30–35% of GDP. These factors make the growth structure extremely fragile (Albanian Conservative Institute).

- **Poverty** remains at **20%** and **social exclusion** reaches **42%**.
- The modest growth in **FDI** stems mainly from reinvested earnings (60%) and from real estate purchases, which in our view are incorrectly classified as FDI.
- Finally, Albania has fallen by **11 points** in the OECD convergence report, ranking last in business climate, infrastructure, and productivity.

## 2) What the Program Promises (Key Points)

The Program foresees, among other things: A minimum wage of €500 (by 2026), a national average wage of €1,000–1,200 by 2030, sectoral wage increases (e.g., +25% for doctors and nurses by 2029), GDP growth of ~4% per year, a doubling (or more) of revenues from tourism, large infrastructure and industrial investments. These promises and objectives are described in the official Program text.

## 3) The Main Reason Why the Program Fails: Lack of a Productive Base

### 3.1. Wages Do Not Increase by Decree; Wage Growth Requires Productivity Growth

Every economic theory explains that real wages (purchasing power) rise when worker productivity rises. According to international reports, productivity in Albania has been declining in recent years. With industry and agriculture shrinking (–7.73% and –2.70% respectively), there is no necessary foundation to finance a general and sustainable wage increase.

A nominal wage increase decreed without productivity growth leads to one of three scenarios:

- a) **Forced inflation** (purchasing power remains unchanged),

- b) **Job losses** in the formal sector, with workers pushed into informality, or

- c) **Temporary debt financing**, which increases sovereign risk and the future tax burden.

All of these threaten to produce medium-term consequences that are more severe than the short-term electoral benefits (see Program assumptions on wage increases/structural weaknesses).

### 3.2. Inflation, Labor Costs, and Competitiveness

In an open economy with high imports (exports of ~€4 billion, declining due to unexplainable euro depreciation, falling production, and a very large trade deficit), wage growth without productivity growth reduces profit margins and makes manufacturing businesses uncompetitive.

Investors seeking production (what Albania needs to grow exports) will avoid environments with rising labor costs and low productivity. Instead, capital and new jobs will flow into construction and services, which generate fast ROI (and are often used for money laundering), reinforced by the influx of informal funds. ([Albanian Conservative Institute](#))

## 4) Critical Analysis of the Main Points of the Program

### 4.1. Minimum Wage €500 by 2026 & Average Wage €1,000–1,200 by 2030

The Program proposes wage increases as the main measure for welfare; however, it does not specify concrete fiscal or productive measures that would raise productivity to the level needed to make such wages sustainable.

There are no tax cuts, deregulation, or steps to increase competitiveness in the private sector, one of the many problems highlighted by the U.S. State Department's investment report for Albania.

With industry shrinking  $-7.73\%$  (2024) and agriculture  $-2.7\%$  (2024), any increase without stimulating domestic production will be financed through risky methods: debt, higher taxes, or increased informality. All these reduce medium- and long-term welfare.

Poverty, according to international organizations and INSTAT, stands at 20%, and social exclusion reaches 42%. The gap between the minimum and maximum wage is the highest in Europe, while Albania also has the lowest minimum wage in Europe.

#### **4.2. GDP Growth of ~4% per Year — an Unsupported Promise**

Independent institutions (European Commission, World Bank, Raiffeisen) project growth between  $\sim 3.2\%$ – $3.6\%$  for 2025, not the stable 4% annual growth that the Program claims. This means stagnation or decline relative to the Program's target, which the government does not explain how it will achieve.

Moreover, all economic growth comparisons, past or future, fail to take into account the strengthening of the lek and the effect this has on calculations.

#### **4.3. Agriculture: “Modernization” Without Processing and Market Chains**

The Program mentions technology and supply chains but offers no concrete instruments: lowering input costs, local processing (agro-processing), guaranteed access to EU markets, or incentive schemes for processing investments. Without these instruments, farmers will remain exposed to imports and the loss of local markets.

The Program provides no concrete steps to halt the decline of agriculture, which employs around 30% of citizens, largely because it does not even recognize this as a structural economic problem. (See Program summary: 2.7 Agriculture and Rural Development).

#### **4.4. Industry and Manufacturing: “Start-up Solutions” Do Not Replace an Industrial Base**

The Program focuses on technology, start-ups, and technoparks, which are necessary but are not immediate solutions for restoring manufacturing capacities that drive value-added exports.

Albania has suffered severe industrial decline; without economic schemes to rebuild processing lines and incentives for exports, start-ups will remain a small modern niche without transforming the base.

Moreover, the OECD convergence report with the EU ranks Albania 11 places lower, identifying it as the last in the region for business climate, infrastructure, and productivity.

#### **4.5. Tourism as a “Motor” — Unsustainable as a Sole Policy**

Tourism is important but seasonal and sensitive to global crises. According to INSTAT, tourism growth rates have slowed compared to the previous year. Lack of infrastructure, capacity, service quality, and fiscal policies for easing and fair competition mean that tourism cannot serve as a stable pillar of growth.

The Program relies on this sector for revenue growth, but this does not resolve Albania's fundamental dependence on imports, the loss of agricultural production, or the decline of industry. An economy reliant only on tourism and construction is fragile, exposed to external crises, and does not guarantee sustainable development for citizens.

#### 4.6. Debt, Taxes, and “Fiscal Peace” — The Risks

The Program claims fiscal consolidation while at the same time adding major social spending and capital investments. The declared sources (increased tax revenue, fighting informality) are optimistic and fail to address the main distortion: illegal/suspicious financial flows covering large parts of the economy.

The reform on property taxation raises political and economic risks for households and legitimate investors.

Revenue growth has mostly come from the expansion of public administration (increasing personal income tax inflows) and VAT revenues as a result of rising prices.

Public-Private Partnerships (PPPs) have also raised concerns in U.S. State Department and European Commission reports regarding transparency, fair competition, and favoritism.

#### 4.7. Foreign Exchange (FX) Risk

Our study identifies a ~30% strengthening of the lek against the euro (2015–2025), unusual based on fundamentals and not explained solely by tourism growth, signaling suspicious inflows.

The Program does not seriously address the risks of debt costs denominated in euros/dollars or the impact of currency corrections on exports and public spending.

Nor does it acknowledge the harm caused by the euro's depreciation to Albanian exporters and the difficult situation they face.

### 5) The Most Alarming Issues

- Planned wage increases without a productive plan — a recipe for inflation and the destruction of formal jobs.
- Dependence of growth on **construction and services fueled by informal money**, creating the risk of collapse if the fight against illegal financial flows escalates.
- Failure to address the decline of industry and agriculture with real measures for processing and exports, while Albania ranks last for business climate. The Program speaks of technology but not of solutions for real processing chains. Without strengthening the private sector, competitiveness, free markets, and fiscal relief, there can be no development or real wage growth.

- Risk of using debt and questionable fiscal mechanisms to finance promises, without clear mechanisms for productivity growth.
- Failure to account for foreign exchange risks and correction scenarios in the government's own forecasts.
- A lack of reflection on the alarming current situation in education, where Albania shows a declining trend in the PISA rankings and fewer and fewer students and pupils, as well as on the concerning state of healthcare services. Today, Albanian citizens receive fewer and fewer quality services.
- A lack of reflection on the state of law and order in the country, and on the urgent steps needed to restore security on Albania's streets.

## 6) How Wages and the Economy Truly Grow

- Increase productivity: investment in physical capital (processing lines, technology), tax reduction, and lowering the regulatory and governmental burden; reduce government intervention in the market and increase free competition; align vocational education with industrial demand; and provide direct incentives for exporting firms. *(This raises the value a worker produces per hour.)* ([Albanian Conservative Institute](#))
- Link formalization with processing subsidies: grants for farmer groups investing in processing, in the manufacturing and processing industries, with clear criteria and measurable outcomes, not only direct transfers. *(This creates real wage jobs domestically.)*
- Condition fiscal relief on productive investment: 0% tax for small businesses, as well as for new start-ups oriented toward innovation, production, and exports.
- Ensure currency stability and fight dirty money: implement unanimous measures for transparency in transactions, strong control of suspicious capital, and cooperation with allies (EU/USA) to strike at criminal financial flows. Without this, no productive reform can succeed.

## 7) ACI's Message to Citizens and Political Actors

The Government Program 2025–2029 is a package of promises disconnected from a development vision and lacking the mechanisms needed to make any development sustainable.

The Program offers a consumption package, but without production and innovation that would translate into genuine welfare for every individual.

Relying on the decline of industry and agriculture (–7.73% and –2.70%), on informal financial flows, and on a trade deficit of –25.3% of GDP, every promise for broad wage increases without structural reform will generate more costs than benefits.

Forecasts from other institutions (European Commission, World Bank, Raiffeisen) confirm expectations of more modest growth (~3.1–3.6% for 2025), which do not support the Program's targets of sustainable 4% growth.

## 8) ACI's Concrete Demands

- An immediate focus on pensions, whose scheme is a time bomb requiring thorough analysis and long-term solutions. In the short term, the state budget has the space to guarantee that no pensioner has an income below the minimum living standard.
- Full and efficient implementation of administrative justice.
- A national plan against depopulation and for rebuilding agro-food processing chains (capital grants + fiscal advantages conditioned on exports). We propose the launch of a broad national debate on halting the depopulation agenda.
- A formalization and stimulus package for manufacturing industry (subsidized investment loans, tax deductions for export investments, and “one-stop” licensing procedures).
- Strong and verifiable measures against illegal money flows and an uncompromising fight against drugs (cooperation with EU/USA, transaction controls, sanctions against money launderers).
- Revision of social spending schemes, focusing on investment with returns (vocational education, processing, logistics infrastructure), not on general or clientelist transfers without results.
- Transparency and stress-testing of fiscal projections: every major promise (wages, pensions, infrastructure) must be accompanied by a verifiable financing catalogue (sources, timing, impact on public debt).
- Transparency and accountability on PPPs and their impact on the state budget and the national economy.
- Increase the share of education to 5% of GDP, focusing on curriculum quality, innovation, and a reform of education along patriotic and scientific lines. We propose a broad national discussion and pact on education.
- Special attention to improving food security, which has become a real crisis in recent years.
- Increase the weight of healthcare and service quality, focusing on the individual citizen. We propose launching a broad national debate and pact on healthcare.

The Albanian Conservative Institute stands ready to cooperate with public institutions, businesses, and international partners to build a realistic plan for restoring production, reducing informality, and returning Albania to the path of sustainable development. This requires decisive pro-production policies, punishment of economic crime, and deep structural reforms, not wage promises “by decree.”